



Unicaja Banco, S.A.

(incorporated as a limited liability company (sociedad anónima) under the laws of Spain)

EUR 300,000,000

Fixed Rate Reset Subordinated Notes due 13 November 2029

The issue price of the €300,000,000 Fixed Rate Reset Subordinated Notes due 13 November 2029 (the “**Notes**”) of Unicaja Banco, S.A. (the “**Issuer**”, the “**Bank**” or “**Unicaja Banco**”) is 100% of their principal amount. The Notes have been issued in denominations of €100,000. The Notes were issued on 13 November 2019 (the “**Issue Date**”). The Bank and its consolidated subsidiaries are referred to herein as the “**Group**”.

As described in the terms and conditions of the Notes (the “**Conditions**”), unless previously redeemed, the Notes will be redeemed at their principal amount on 13 November 2029. The Notes may be redeemed at the option of the Bank in whole, but not in part, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, if a Tax Event or a Capital Event occurs (as such terms are defined in the Conditions). See Conditions 4.4 and 4.5 in “*Conditions of the Notes*”.

In addition, the Bank may at its option, subject to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission, redeem all, but not some only, of the Notes on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. See Condition 4.3 in “*Conditions of the Notes*”.

The Notes bear interest on their outstanding principal amount (i) at a fixed rate of 2.875% per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions) payable annually in arrear on 13 November in each year, with the first Interest Payment Date on 13 November 2020, and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (as defined in the Conditions) plus 3.107% per annum (the “**Margin**”), as determined by the Bank, payable annually in arrear on 13 November in each year, with the first Interest Payment Date after the Reset Date on 13 November 2025 (see Condition 3 in “*Conditions of the Notes*”). Payments on the Notes will be made in Euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in “*Conditions of the Notes*”.

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank, as more fully described in Condition 2 in “*Conditions of the Notes*”. The Notes are expected to qualify as Tier 2 Capital (as defined in the Conditions) of the Bank and of the Group.

Subject to the prior Supervisory Permission and to compliance with the Applicable Banking Regulations, if a Capital Event or Tax Event has occurred and is continuing, the Bank may substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without the consent of the Holders (as defined below), so that they become or remain Qualifying Tier 2 Notes (as defined in the Conditions).

The Notes are rated BB+ by Fitch Ratings España, S.A. Unipersonal (“**Fitch**”) and Ba3 by Moody’s Investors Service España, S.A. (“**Moody’s**”). Fitch and Moody’s are established in the European Union (“**EU**”) and are registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the “**CRA Regulation**”). Fitch and Moody’s appear on the latest update of the list of registered credit rating agencies (as of 1 October 2019) on the European Securities and Markets Authority (“**ESMA**”) website. **A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension, reduction or withdrawal at any time by the assigning rating agency.**

This document (together with the information incorporated by reference) constitutes a listing prospectus (the “**Prospectus**”) for the purposes of Article 3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of 14 June 2017 (the “**Prospectus Regulation**”) and has been prepared in accordance with, and including the information required by Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019. This Prospectus has been approved by the Spanish Securities Market Commission (*Comisión Nacional de Mercado de Valores*) (the “**CNMV**”) as competent authority under the Prospectus Regulation. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such an approval should not be considered as an endorsement of the Bank or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes. Application has been made for the Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market (“**AIAF**”). AIAF is a regulated market for the purposes of Directive 2014/65/EU on markets in financial instruments directive (as amended, “ **MiFID II**”).

Amounts payable under the Notes from and including the Reset Date are calculated by reference to the 5-year Mid-Swap Rate which (i) appears on the “ICESWAP2” screen, which is provided by ICE Benchmark Administration Limited or (ii) calculated by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the “EURIBOR01” screen, which is provided by the European Money Markets Institute. As of the date of this Prospectus, both ICE Benchmark Administration Limited and European Money Markets Institute appear on the register of administrators and benchmarks established and maintained by ESMA pursuant to article 36 of the Regulation (EU) No 2016/1011.

Title to the Notes is evidenced by book entries, and each person shown in the central registry of the Spanish settlement system managed by Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (“**Iberclear**”) and in the registries maintained by the participating entities (*entidades participantes*) in Iberclear (“**Iberclear Members**”) as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein (a “**Holder**”).

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Prospective purchasers of the Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition.

An investment in the Notes involves certain risks. For a discussion of these risks see “*Risk Factors*” beginning on page 11.

The Notes have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the “U.S. Securities Act”), and are subject to United States tax law requirements. The Notes are being offered outside the United States in accordance with Regulation S under the U.S. Securities Act (“**Regulation S**”), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act.

The period of validity of this Prospectus is up to (and including) the admission to trading of the Notes. For the avoidance of doubt, the Issuer shall have no obligation to supplement this Prospectus after the admission to trading of the Notes.

Structuring adviser and Lead Manager

UBS Investment Bank

Joint Lead Managers

HSBC

Mediobanca

Morgan Stanley

The date of this Prospectus is 14 November 2019.

IMPORTANT NOTICES

Unicaja Banco has not authorised the making or provision of any representation or information regarding Unicaja Banco, the Group or the Notes other than as contained in this Prospectus or as approved for such purpose by Unicaja Banco. Any such representation or information should not be relied upon as having been authorised by Unicaja Banco or the joint lead managers named under “*Subscription and Sale*” below (the “**Joint Lead Managers**”).

None of the Joint Lead Managers, nor any of their respective affiliates, has separately verified the information contained or incorporated by reference in this Prospectus. Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information supplied by Unicaja Banco in connection with the Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any Notes shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Unicaja Banco or the Group since the date of this Prospectus or that any other information supplied in connection with the Notes is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of Unicaja Banco or the Group contained in the Prospectus, or any other agreement or document relating to the Notes, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

Each potential purchaser of Notes should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus and its purchase of Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of Unicaja Banco or the Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Joint Lead Managers.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any Notes.

The distribution of this Prospectus and the offering, sale and delivery of Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by Unicaja Banco and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Notes and on distribution of this Prospectus and other offering material relating to the Notes, see “*Subscription and Sale*”.

In particular, the Notes have not been and will not be registered under the U.S. Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States or to U.S. persons.

In this Prospectus, unless otherwise specified, references to a “**Member State**” are references to a Member State of the European Economic Area (“**EEA**”), references to “**EUR**” or “**euro**” are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to “**billions**” are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words and expressions defined in the Conditions (see “*Conditions of the Notes*”) shall have the same meanings when used elsewhere in this Prospectus unless otherwise specified.

Potential investors are advised to exercise caution in relation to any purchase of the Notes. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

The Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Prospectus, taking into account that the Notes are a suitable investment for professional or institutional investors only;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including where the currency for payments in respect of the Notes is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes, including the provisions relating to redemption or substitution of the Notes and any variation of their terms, and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall portfolio.

The Notes are rated BB+ by Fitch and Ba3 by Moody's. Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the Notes does not address the likelihood that interest (including any additional amounts payable in accordance with Condition 7) or any other payments in respect of the Notes will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Potential investors should not rely on any rating of the Notes and should make their investment decision in light of its own circumstances. The Bank does not participate in any decision making of the rating agencies and any revision or withdrawal of any credit rating

assigned to the Bank or any securities of the Bank is a third party decision for which the Bank does not assume any responsibility.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET – Solely for the purposes of each manufacturer’s product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. The target market assessment indicates that Notes are incompatible with the needs, characteristic and objectives of clients which have no risk tolerance or are seeking on-demand full repayment of the amounts invested. Any person subsequently offering, selling or recommending the Notes (a “**distributor**”) should take into consideration the manufacturers’ target market assessment. However, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers’ target market assessment) and determining appropriate distribution channels.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS – The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the “**Insurance Distribution Directive**”), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document (KID) required by Regulation (EU) No 1286/2014 on key information documents for packaged retail and insurance-based investment products (as amended, the “**PRIIPs Regulation**”) for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

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OVERVIEW

The following is an overview of certain information relating to the Notes, including the principal provisions of the terms and conditions thereof. This overview must be read as an introduction to this Prospectus and any decision to invest in the Notes should be based on a consideration of this Prospectus as a whole, including the documents incorporated by reference. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, “*Conditions of the Notes*”.

Words and expressions defined in the “*Conditions of the Notes*” below have the same meanings in this overview.

Issuer	Unicaja Banco, S.A.
Joint Lead Managers	HSBC Bank plc, Mediobanca – Banca di Credito Finanziario S.p.A., Morgan Stanley & Co. International plc and UBS Europe SE.
Risk factors	There are certain factors that may affect the Bank’s ability to fulfil its obligations under the Notes. These are set out under “ <i>Risk Factors</i> ” below.
Issue size	€300,000,000
Issue date	13 November 2019
Issue details	€300,000,000 Fixed Rate Reset Subordinated Notes due 13 November 2029 Unicaja Banco will submit to the Competent Authority the relevant documentation in connection with the treatment of the Notes as Tier 2 Capital of the Bank and the Group pursuant to Applicable Banking Regulations.
Form and denomination	The Notes have been issued in uncertificated, dematerialised book-entry form in euro in the denomination of €100,000 each.
Use and estimated net amount of proceeds	Net proceeds: €300,000,000 The Bank intends to use the net proceeds from the issue of the Notes for its general corporate purposes.
Interest	The Notes bear interest on their outstanding principal amount as follows: (i) in respect of the period from (and including) the Issue Date to (but excluding) the Reset Date at the fixed rate of 2.875% per annum; and (ii) in respect of the Reset Period, at the rate per annum equal to the aggregate of the 5-year Mid-Swap Rate (quoted on an annual basis) and the Margin, payable annually in arrear on 13 November in each year, with the first Interest Payment Date after the Reset Date on 13 November 2025. For further information, see Condition 3. Payments on the Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in the Conditions.
Status of the Notes	The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations of the Bank in accordance with Article 92.2 of the Insolvency

Law and Additional Provision 14.3^o of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise). The Notes are expected to constitute Tier 2 Capital of the Bank and the Group.

For further information, see Condition 2.

Optional redemption

All, and not only some, of the Notes may be redeemed at the option of the Bank, subject to the prior Supervisory Permission and otherwise in accordance with Applicable Banking Regulations, on the Reset Date, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

The Notes are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption if there is a Capital Event or a Tax Event, subject, in each case, to the prior Supervisory Permission and otherwise in accordance with the Applicable Banking Regulations then in force.

For further information, see Conditions 4.3, 4.4 and 4.5.

Substitution and variation

Subject to Supervisory Permission and otherwise in accordance with the Applicable Banking Regulations, if a Capital Event or Tax Event has occurred and is continuing, the Bank may at any time substitute all (but not some only) of the Notes or vary the terms of all (but not some only) of the Notes, without the consent of the Holders, so that they become or remain Qualifying Tier 2 Notes.

For further information, see Condition 4.6.

Purchases

The Bank or any member of the Group, may purchase (or otherwise acquire) or procure others to purchase (or otherwise acquire) beneficially for their account, Notes in any manner and at any price in accordance with Applicable Banking Regulations in force at the relevant time and subject to Supervisory Permission, if required.

For further information, see Condition 4.7.

Waiver of set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.

Meetings of Holders

The Conditions contain provisions for convening meetings of Holders to consider matters affecting their interests generally. The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.

For further information, see Condition 9.

Withholding tax and additional amounts

All payments of interest and any other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Notes by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required, subject to the exceptions provided in Condition 7.

For further information, see Condition 7.

Registration and settlement

The Notes have been registered with Iberclear as managing entity of the Spanish Central Registry (both, as defined in the Conditions). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with Iberclear.

Title and transfer

Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. For these purposes, the “**Holder**” means the person in whose name such Notes is for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

The Notes are issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

Rating

The Notes are rated BB+ by Fitch and Ba3 by Moody’s.

Listing and admission to trading

Application has been made for the Notes to be admitted to trading on AIAF. The Notes may also be admitted to trading on any other European

regulated market or multilateral trading facility as may be agreed by the Bank.

Governing law

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

Selling restrictions

There are restrictions on the offer, sale and transfer of Notes in the United States, the EEA, the United Kingdom and Spain. Regulation S, category 2 restrictions under the U.S. Securities Act apply. The Notes have not and will not be eligible for sale in the United States under Rule 144A of the U.S. Securities Act.

RISK FACTORS

The Issuer declares that the information contained in this Prospectus includes the instructions and recommendations received, when appropriate, from the prudential supervisory authorities (i.e. European Central Bank and Bank of Spain) and that may have an impact on the financial statements and risks described hereinafter.

Any investment in the Notes is subject to a number of risks. Prior to investing in the Notes, prospective investors should carefully consider risk factors associated with any investment in the Notes, the business of the Issuer (and the Group) and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Words and expressions defined in the “Conditions of the Notes” below or elsewhere in this Prospectus have the same meanings in this section.

Only risks which are specific to the Issuer and to the Notes are included herein as required by the Prospectus Regulation. Additional risks and uncertainties relating to the Issuer or the Group that are not currently known to the Issuer or that it currently deems immaterial or that apply generally to the banking industry for which reason have not been included herein, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer or the Group and, if any such risk should occur, the price of the Notes may decline and investors could lose all or part of their investment. Investors should consider carefully whether an investment in the Notes is suitable for them in light of the information in this Prospectus and their personal circumstances. Risks that apply generally to securities with the characteristics of the Notes (for instance, risks related to the reset of the interest rate of the Notes on the Reset Date, risks related to modifications of the Notes approved by a meeting of Holders of the Notes, risks related to the absence of limitations on the amount or type of further securities or indebtedness which the Bank may incur or risks related to fluctuations in market interest rates), that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations) and those related to the credit ratings assigned to the Notes (such as changes in the credit ratings or the assignment of unsolicited ratings) have not been included herein. However, such additional risks may affect the value and liquidity of the Notes.

Risks relating to the Group and its business

The Group’s business is significantly affected by the credit risk of its customers and counterparties

The Group is exposed to the creditworthiness of its customers and counterparties. Credit risk is defined as potential losses in respect of the full or partial breach of the debt repayment obligations of customers or counterparties (including, but not limited to, the insolvency of a counterparty or debtor), and also includes the value loss as a consequence of the credit quality of customers or counterparties. As of 30 September 2019, credits to customers and fixed income securities (excluding forward sales and insurance business debt portfolio and other accounting adjustments)¹ represented 51% and 29%, respectively, of the total assets of the Group (48% and 28%, respectively, as of 31 December 2018). Although in some cases compliance with the referred contractual obligations is secured, collateral and security provided to the Group may be insufficient.

Non-performing or low credit quality loans could negatively impact the Group’s results of operations. As of 30 September 2019, the non-performing loans (“NPLs”) amounted to €1,573 million (1,926 million as of 31 December 2018), the Group’s NPL ratio² was 5.4% (6.7% as of 31 December 2018) and the Group’s NPL

¹ Fixed income securities (excluding forward sales and insurance business debt portfolio and other accounting adjustments) is an alternative performance measure (“APM”), the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “Description of the Issuer—Alternative Performance Measures”.

² NPL ratio is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “Description of the Issuer—Alternative Performance Measures”.

coverage ratio³ was 52.0% (53.0% as of 31 December 2018). In addition, the Group had €1,429 million of refinanced and restructured gross loans (of which 63.3% corresponded to NPLs) as of 30 September 2019 (€1,812 million (of which 61% corresponded to NPLs) as of 31 December 2018). If the Group was unable to control the level of its non-performing or poor credit quality loans, this could adversely affect the Group's financial condition and results of operations since the assets do not generate income but drain resources related to the recovery process in addition to the explicit costs that might be materialized through the constitution of provisions and other impairments.

The Group is particularly exposed to the creditworthiness of individuals, families and small and medium enterprises (“SMEs”)

The Group's loan portfolio primarily consists of mortgage and consumer loans granted to individual customers (representing 63.4% and 66% of the total gross loan portfolio as of 30 September 2019 and 31 December 2018, respectively) and loans to small and medium enterprises (“SMEs”) (representing 14.2% and 14.4% of the total gross loan portfolio as of 30 September 2019 and 31 December 2018, respectively). Households and SMEs with a high level of debt are more likely to have difficulties in complying with their debt obligations due to unfavorable economic circumstances than other types of clients; therefore, the high concentration in this type of clients could have a negative impact on the income from interest of the Group. Furthermore, the high level of debt of households and SMEs also limits their capacity to incur any further debt, which reduces the number of new products which, under other circumstances, the Group could sell, and it restricts its ability to attract new customers who comply with its credit rating levels, and this could negatively affect the Group's business activities.

In general, the Group's ability to mitigate credit risk depends in large part on its ability to assess the credit worthiness of its counterparties. However, the availability of precise, complete financial information as well as general credit information on which to base decisions related to credit is more limited with regard to SMEs than it is for large corporates and is even more limited in the case of households. As a result, despite the procedures used by the Bank to calculate credit risk, this may lead to errors when it comes to precise assessment of the credit risk posed by these borrowers, especially SMEs and households, which could drive up the level of NPLs.

The Group is subject to significant exposure to real estate

The Group is exposed to the Spanish real estate market both directly (through the real estate assets that it owns) and indirectly (given that real estate assets secure many of its outstanding loans).

As of 30 September 2019, the gross carrying amount of foreclosed real estate assets amounted to €1,138 million, which in net terms (€421 million) represented 0.8% of total assets (€1,661 million as of 31 December 2018, which in net terms (€627 million) represented 1.1% of total assets) and the foreclosed assets coverage ratio⁴ stood at 63.0% (62.2% as of 31 December 2018). Additionally, as of 30 September 2019, the gross loans to real estate developers amounted to €687 million, which in net terms (€586 million) represented 1.1% of total assets (€643 million as of 31 December 2018, which in net terms (€528 million) represented 0.9% of total assets). As of 30 September 2019, gross individual mortgage loans amounted to €15,529 million, which in net terms (€15,361 million) represented 27.5% of total assets (€16,141 million as of 31 December 2018, which in net terms (€15,879 million) represented 27.6% of total assets)

While in recent years the demand for housing and related real estate loans has increased again, any decrease in prices of real estate assets in Spain would reduce the value of the Group's real estate assets portfolio and the

³ NPL coverage ratio is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “Description of the Issuer—Alternative Performance Measures”.

⁴ Foreclosed assets coverage ratio is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “Description of the Issuer—Alternative Performance Measures”.

underlying collateral for its mortgage and other real estate-related loans and, consequently, in the event of default, the amount of the Group's expected losses would increase.

The Group faces risks relating to disruptions, dislocations, structural challenges and volatility in financial markets and is exposed to counterparty risk with the Spanish and foreign governments

Financial markets (in particular equity, debt and commodities markets) can experience sometimes sustained periods of unpredictable movements, severe dislocations, liquidity disruptions and economic shocks, some or all of which may not be linked to changes in the broader economic situation. The Group's wholesale funds (markets)⁵ amounted to €4,767 million, or 8.5% of the Group's total assets as of 30 September 2019 (€5,123 million or 8.91% of the Group's total assets as of 31 December 2018). Any unpredictable or extreme market conditions could lead to volatility in the Group's profitability and solvency and in the carrying value of certain assets in the Group's balance sheet, caused by price changes and changes in the demand for some of the Group's banking services and products. This could result in, among other things, a delay in raising funding or capital, the issuance of capital and funding of different types or under different terms than otherwise would have been issued or realized, or the incurrence of additional or increased funding and capital costs compared to the costs borne in a more stable market environment. Furthermore, the Group's hedging and other risk management strategies, such as balance sheet steering and interest rate management, may not be as effective at mitigating risks as such strategies would be under more stable market conditions.

Financial markets are susceptible to severe events characterized by rapid depreciation in asset values accompanied by a reduction in liquidity. Under such conditions, market participants are particularly exposed to the market behavior of other market participants simultaneously unwinding or adjusting positions, which may even further exacerbate rapid decreases in values of some of the Group's assets or collateral held in the Group's favor and which could cause liquidity tensions and disruptions.

There can be no assurance that market volatility will not result in a prolonged market decline, or that market declines for other reasons will not occur in the future. Severe market declines have historically proven to be difficult or impossible to predict, and could lead to the Group realizing significant losses, especially if they were to persist for an extended period of time. Therefore, market volatility, liquidity disruptions, or market dislocations could materially and adversely affect the Group's banking, capital and funding activities and could have a material adverse effect on the Group's liquidity, business, financial condition, results of operations and prospects.

Any decline in Spain's credit ratings could adversely affect the value of Spain's, Spanish Autonomous Communities' and other Spanish government issuers' respective securities held by the Group in its various portfolios. Any such decline would also likely increase the cost of financing the Spanish public debt, which could result in increased taxation or lower government spending and, consequently, could have an adverse effect on Spanish economic conditions and lead to an increase in sovereign default risk. As of 30 September 2019, the exposure of the Group to sovereign risk (excluding the insurance business debt portfolio and positions sold in a forward value date, and including SAREB bonds) amounted to €13.4 million, representing 24% of the total assets (€14.6 billion, representing 25.4% of the total assets, as of 31 December 2018), where Spanish sovereign exposure represented 65% of that exposure (69.1% as of 31 December 2018). Given the Group's exposure, any decline in the price of Spanish government bonds could adversely affect the Group's capital position and could adversely affect the Group's ability to access liquidity, raise capital and meet minimum regulatory capital requirements. A downgrade could also adversely affect the extent to which the Group can use the Spanish

⁵ Wholesale funds (markets) is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in "Description of the Issuer—Alternative Performance Measures".

government bonds it holds as collateral for European Central Bank (“ECB”) refinancing and, indirectly, for refinancing with other securities.

Consequently, if any of the governments and related public entities to which the Group has exposure fails to comply with its obligations under debt or other obligations or suffer any credit rating downgrade, this could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group’s business primarily depends on the Spanish economy and therefore, any adverse changes to this or any adverse situation could have a negative impact on the Group

Almost 100% of the Group’s revenues are derived from products and services sold in Spain. The Group’s business and performance therefore depend significantly on economic conditions and market trends in Spain, particularly in the autonomous regions in which the Group has developed a significant portion of its banking business (i.e., Andalucía and Castilla y León, together, the Group’s “**Home Regions**”) and, to a lesser extent, on economic conditions in the EEA and globally. The Group believes that there are various factors which could negatively affect the Spanish economy, including a potential slowdown or delay of the macroeconomic recovery, elevated unemployment levels, the continued process of deleveraging affecting the Spanish economy or the historically low level of interest rates to continue into the longer term, which could have an adverse effect on the Group’s activity.

Accordingly, any deterioration in Spain’s macroeconomic outlook should see increased levels of defaults and a lower demand for credit. In particular, as a Spanish bank primarily focused on servicing individuals and SMEs, the Group’s business performance is impacted by the economic health and employment status of its customers and high levels of unemployment, especially in the Home Regions, where 83% of the Group’s branches are located, have historically resulted, for example, in a decrease in new mortgage borrowing, lower deposit levels and reduced or deferred levels of consumer spending, which adversely impact the Group’s revenue generation capability. In addition, higher unemployment rates can also have a negative impact on the Group’s results through an increase in customer loan arrears, forbearance, impairment provisions and defaults.

Other economic factors have in the past also affected and may continue to affect the Group. These factors include consumer and government spending levels, public deficits, public debt levels, government fiscal policies, inflation, credit spreads, the availability and cost of capital, market indices, investor sentiment and confidence in the financial markets, consumer confidence, the liquidity in financial markets, the level and volatility of equity prices, commodity prices and interest rates, real estate prices and changes in customer behavior.

Economic growth in Spain could be impacted by political fragmentation and uncertainties arising from the political situation within Spain, such as the considerable uncertainty regarding the outcome of political tensions in Catalonia or the failure to reach agreement to form a new government following the general election on 28 April 2019, leading to a further general election to be held on 10 November 2019, which could have a material adverse effect on the Group’s business, financial condition and results of operations.

In addition, the Spanish economy could be negatively affected by weak economic conditions in the EEA and internal risks in the euro area, including the ongoing negotiation process regarding the exit by the United Kingdom (“UK”) from the EU (Brexit).

A market downturn or a worsening of the Spanish, European or global economies may materially and adversely affect the Group’s banking, capital and funding activities and could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

The Group's business is particularly sensitive to changes in interest rates

The Group's business is inherently subject to interest rate risk and any failure to manage changes in interest rate levels, yield curves and spreads may affect its business due to (i) the reduction of the spread between the average yield on interest-earning assets and the average cost of interest-bearing liabilities, (ii) the repricing value of the assets and liabilities of the Group and (iii) lower profitability. The results of the Group's banking operations are affected by the management of interest rate risk, by which the Group manages the relationship between changes in market interest rates on the Group's assets and liabilities and changes in the Group current and future cash flows and net interest income as a result thereof.

A rise or decline in interest rates would cause a progressive repricing of the Group's variable rate assets (€28.6 billion have floating or variable rates as of 30 September 2019, representing 51.3% of the Group's total assets, and €35.0 billion as of 31 December 2018, representing 60.9% of the Group's total assets) and liabilities (€20.9 billion have floating or variable rates as of 30 September 2019, representing 37.5% of the Group's total assets, and €22.8 billion as of 31 December 2018, representing 39.8% of the Group's total assets). In this regard, and under the assumptions of constant balance (except for (i) fixed income portfolio; and (ii) 38% of the demand accounts, which progressively have been passed-through to term deposits since deposit costs reached 0.35%), the Group estimates that a parallel and instantaneous increase of 10 basis points in interest rate curves would have a positive impact of over 1.6% on the Group's net interest income (once the balance sheet is fully repriced). Conversely, the Group estimates that a parallel decrease of 10 basis points in interest rates curves would have a negative impact of around 2.4% on the Group's net interest income (once the balance sheet is fully repriced). This scenario is based on the aforementioned assumptions plus the fact that retail funds from clients and covered bonds (not including swaps) have a 0% cost floor. Accordingly, and under the aforementioned assumptions, a parallel and instantaneous increase of 10 basis points in interest rate curves, would have increased the net interest income of the Group by €9.6 million (once the balance sheet is fully repriced), compared with the net interest income of the Group for the year ended 31 December 2018. Conversely, a decrease of 10 basis points in interest rate curves would have decreased the net interest income of the Group by €14.4 million compared with the net interest income of the Group for the year ended 31 December 2018⁶.

If the yield on the Group's interest-earning assets does not increase at the same time or to the same extent as the Group's cost of funds, or if the Group's cost of funds does not decline at the same time or to the same extent as the decrease in yield on the Group's interest-earning assets, the Group's market value, current and future cash flows and net interest income may be materially and adversely affected. Changes in absolute interest rate levels are difficult to predict and are influenced by numerous factors beyond the Group's control, such as the financial sector regulation in the markets in which the Group operates, the monetary policies developed by the ECB and other central banks and the Spanish and international political and economic climate.

The Group's business and performance have been adversely affected by the low interest rate environment in recent years. In September 2019, the ECB reduced the deposit rates to -0.50% and announced new bond purchases at a monthly pace of €20 billion in addition to a new TLTRO III facility. In general, quantitative easing has exerted downward pressure on interest rates and yield curves. A continued period of flatter and negative interest rate yield curves could, in particular, have a material adverse effect on the Group's net interest income given the current low yields of the Group's loan and its debt securities portfolios.

In addition, changes in the yield of the Group's assets might not be mirrored by changes in the cost of the Group's liabilities. The Group's loan book is mostly linked to Euribor while the Group's retail term deposit

⁶ As of 31 December 2018, the sensitivity of the Bank's 12-month expected interest income to a decrease in the interest rate curve of 100 basis points, in a maintained balance sheet stage, is less than 3% (Note 28 to the 2018 Consolidated Annual Accounts).

base cost is not and therefore further falls in Euribor might not be offset by a similar fall in the cost of retail term deposits, which would negatively impact the Group's net interest income.

A low interest rate environment, such as that experienced as of the date of this Prospectus, puts pressure on the Group's margins, and a continued low rates environment could materially and adversely affect the Group's business, financial condition, results of operations and prospects. Although the Group seeks to manage its banking book with interest rate risk hedging instruments or by promoting different financial products and strategies, the Group is unable to completely eliminate its interest rate risk, and mismatches in funding costs and interest income may have a material adverse effect on the Group's business.

On the other hand, a stronger than expected rise in interest rates could be very damaging to the Group's business through an increase in loan impairment charges as well as by significantly increasing defaults on customers' loans if borrowers cannot refinance in a higher interest rate environment or if they are unable to meet their greater interest expense obligations.

Funding and liquidity risks are inherent in the Group's operations

Liquidity risk entails uncertainties relating to the Group's ability, under adverse conditions, to access funding necessary to cover its obligations to customers, meet its liabilities as they come due and satisfy capital requirements. It includes the risk of mismanagement of the Group's liquidity position which can negatively result in unexpected increases in the cost of funding, the risk of misaligned maturities between assets and liabilities, as well as the risk of inability to meet the Group's payment obligations on time at a reasonable price due to liquidity pressures. The Group is subject to the risk that it cannot meet the Group's payments and collateral obligations when due without significant losses or at all. The Group is also subject to the risk of not being able to meet expected or unexpected current or future cash outflows or collateral needs without affecting either daily operations or the Group's financial condition.

As of 30 September 2019, the Group's financing structure consists of 62.8% of retail deposits (€35,019 million) (62.7% or €36,044 million as of 31 December 2018), 5.2% of deposits of public administrations (€2,903 million) (4.5% or €2,568 million as of 31 December 2018), 8.5% of wholesale funding (€4,767 million) (8.9% or €5,123 million as of 31 December 2018), 5.9% of central banks funding (€3,306 million) (5.8% or €3,316 million as of 31 December 2018), 3.9% of deposits and repos from credit institutions (€2,165 million) (6.2% or €3,579 million as of 31 December 2018), 6.5% of other liabilities (€3,636 million) (5.1% or €2,955 million as of 31 December 2018) and 7.2% of equity (€4,010 million) (6.8% or €3,918 million as of 31 December 2018).

With regard to funding risk, the Group relies on customer deposits from retail, private and corporate banking customers to meet the majority of its funding needs. As of 30 September 2019, the total amount of customer deposits (non-market) excluding valuation adjustments⁷ amounted to €37,264 million, or 66.8% of the Group's total assets as of such date (€37,798 million or 65.7% of the Group's total assets as of 31 December 2018). Such deposits may be subject to fluctuation as a result of several factors, some of which are outside the Group's control. These factors include a potential loss of confidence in banks generally or the Group in particular, resulting in customers taking out their deposits or increasing competitive pressures, which could result in a significant outflow of deposits within a short period of time. An inability to maintain or to grow, or any material decrease in, the Group's customer deposits could, particularly if accompanied by one of the other factors described above, have a material adverse effect on the Group's ability to satisfy its liquidity needs. The short-term nature of part of this source of financing could cause liquidity problems in the future if deposits do not

⁷ Customer deposits (non-market) excluding valuation adjustments is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out under the heading "LTD ratio" in "Description of the Issuer—Alternative Performance Measures".

reach the expected volumes or are not renewed. If a significant number of depositors withdraw their deposits or do not reinvest after their termination, the Group's liquidity could suffer.

Wholesale funds (markets) amounted to €4,767 million, or 8.5% of the Group's total assets as of 30 September 2019 (€5,123 million or 8.91% of the Group's total assets as of 31 December 2018). In the event that wholesale markets funding were to be no longer available or too expensive, or if the ECB decides to normalize monetary policy, the Group, as well as the rest of the Spanish financial sector, could be forced to raise interest rates paid on deposits to attract more customers and/or sell assets, possibly at reduced prices. The persistence or worsening of adverse market conditions or the rising of interest rates could have a material adverse effect on the Group's ability to access liquidity and negatively impact upon its financing costs (either directly or indirectly). In this regard, the Group's financing capacity depends largely on the credit rating of Spain, which acts as a "roof" on the credit rating of Spanish companies. A potential downgrade in the credit rating of Spain could negatively affect the way financial institutions (including the Group) fund their balance sheets, increasing their effective cost and worsening their financial results. Furthermore, any downgrade in the credit rating of Spain may increase the risk of a downgrade of the Group's credit ratings by the rating agencies, which may limit the Group's access to the capital markets and certain types of instruments, reduce the Group's prospective investor base, increase its borrowing costs or require the Group to replace funding lost due to the downgrade or potential downgrade, limit the Group's access to capital, funding and money markets and trigger requirements to post additional collateral in derivatives contracts and other secured funding arrangements.

In addition, most of the Group's long-term funding has been formalized through mortgage covered bonds, and the Group maintains a relevant covered bonds issuance capacity. As of 30 September 2018, the outstanding amount of mortgage covered bonds was €4,287 million (€4,487 million as of 31 December 2018) and the Group had an issuance capacity of €8,640 million (€8,828 million as of 31 December 2018). A potential reduction of the eligible covered pool due to the outcome of future internal reviews or changes to the Spanish or EU covered bonds regulation could potentially reduce the Group's eligible portfolio and covered bond issuance capacity, which could have a material adverse effect on the Group's business, financial condition, results of operations and prospects.

Although as of 30 September 2019, the Group's LTD ratio⁸ was 75.2% (72.9% as of 31 December 2018) and the Group's liquidity coverage ("LCR") and net stable funding ("NSFR") ratios were in excess of regulatory requirements (292% and 135% as of 30 September 2019, respectively, and 468% and 139% as of 31 December 2018, respectively), there can be no assurance that this will be the case in the future.

Operational risk is inherent to the Group's business and, in particular, the Group faces risks from failures of its information technology systems or internal management systems or processes

The Group is exposed to operational risks arising from the uncertainty inherent in the Group's business undertakings and decisions. Examples of operational risks include: (i) internal fraud (i.e., malicious damages intentionally caused by internal parties); (ii) external fraud; (iii) compliance risk (i.e., violation of applicable laws, rules or internal procedures); (iv) employment malpractices and lack of workplace safety; (v) failure to meet obligations in relation to customers, products and business practices; (vi) disruption of infrastructure or system failures; (vii) IT security breaches or cyberattacks; (viii) inadequate monitoring of internal compliance with regulations; and (ix) reputational issues (i.e., negative publicity).

⁸ LTD ratio is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in "Description of the Issuer—Alternative Performance Measures".

As of 31 December 2018, the own fund requirements associated to the operational risk of the Group amounted to €134 million.⁹

The Group's technological infrastructure is critical to the operations of its business and delivery of products and services to customers. Even with the back-up recovery systems and contingency plans that the Group has in place, the Group cannot assure that interruptions, failures, cyberattacks or breaches in capacity or security of these processes and systems will not occur or, if they do occur, that they will be adequately addressed.

This type of risk is especially relevant as the Group's business depends on its ability to process a large number of transactions efficiently and accurately and on the reliable use of information technology, computing services, e-mails, software and network services, on the safe access to the processing, storage and transmission of information (including confidential information) through computers and networks, and on the maintenance of precise documentation, record-keeping and archiving. For this reason, the Group has a monitoring system in place which helps in its daily business as monitoring a large number of different products is complex. This monitoring could become more difficult or even impossible if the Group should fail to properly document transactions or archive documentation.

Any materialization of operational risks could lead to losses, fines, claims, regulatory actions and reputational damage among other possible effects, any of which could have a material adverse effect on the Group's business, reputation, financial condition, results of operations and prospects.

Increased competition in the markets where the Group operates may adversely affect its growth prospects and operations

The markets in which the Group operated are highly competitive. Financial sector reforms in these markets (mainly in Spain) have increased competition among both local and foreign financial institutions, and the Bank believes that this trend will continue in the future. In addition, the trend towards consolidation in the banking sector has created larger and stronger banks with which the Group must now compete.

The Group also faces competition from non-bank competitors, such as brokerage companies, department stores (for some credit products), leasing and factoring companies, mutual fund and pension fund management companies and insurance companies, "crowdfunding" and other financial technology developments, financial services technologies (Fintechs) which include "payment initiation services providers" and "information services providers", internet-based e-commerce providers, mobile telephone companies and internet search engines. Several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing.

Any failure to compete with current competitors that also offer online services retaining and strengthening customer relationships or to effectively anticipate or adapt to emerging technologies or changes in customer behavior, could have an adverse effect on the Group's competitive position and business.

The Group is subject to conduct and reputational risks that could result in fines, sanctions and reputational damage

Reputational risk is a particular concern for the entire banking sector and for the different companies operating in this business, where participants need to maintain the confidence of customers, investors, regulators, creditors and financial markets generally. The Group is subject to the risk that inappropriate execution of its business activities causes detriment to its customers or counterparties or to the Group and its employees, third-party service providers and external staff. In addition, the Group is subject to reputational risk from damage caused

⁹ The Group uses the standardised approach to calculate the own fund requirements associated to operational risk, in accordance with CRR.

to the Group's brands arising from any inappropriate actions by the Group or its employees, customers or counterparties (including breaches of laws, regulations and internal policies), or by any association, action or inaction which is perceived by stakeholders to be inappropriate, unethical or not sustainable. Moreover, the Group is subject to reputational risk from damage caused to the Group arising from inappropriate actions by its customers or counterparties (including money laundering, terrorism financing and tax evasion by these customers and counterparties) and delays or errors in implementing regulatory compliance which could lead to substantial monetary damages and fines, loss of significant assets, public reprimands, a material adverse effect on the Group's reputation, regulatory measures in the form of cease and desist orders, increased regulatory compliance requirements or other potential regulatory restrictions on the Group's business, enforced suspension of operations and in extreme cases, withdrawal of licenses or authorizations to operate particular businesses, or criminal prosecution in certain circumstances.

Failure to appropriately manage conduct and reputation risks may reduce the Group's attractiveness to stakeholders, including customers, and may lead to negative publicity, loss of revenue, litigation (including class actions), increased regulatory scrutiny and sanctions, reduced workforce morale, and difficulties in recruiting and retaining talent.

The occurrence of any of these factors may cause customers, investors, creditors and financial markets generally to lose confidence in the Group which may materially and adversely affect its business, financial condition, results of operations and prospects.

Legal, regulatory and compliance risks

The Group is subject to substantial governmental and supranational regulation and oversight

The financial services industry is among the most highly regulated industries in the world; the Group's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, guidelines, standards, policies and interpretations, in Spain and the EU. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which is expected to continue for the foreseeable future. The drafting and implementation of these laws and regulations are still ongoing. In addition, since some of these laws and regulations have been recently adopted, the manner in which they are applied to the operations of financial institutions is still evolving. This creates significant uncertainty for the Bank and the financial industry in general.

In addition, the new institutional structure in Europe for supervision, with the creation of the single supervisory mechanism (the "SSM"), and the Single Resolution Board (the "SRB") for resolution, with the new single resolution mechanism ("SRM"), could lead to additional changes in the near future, to the imposition of additional costs or to further regulatory exercises which could have an impact on the Group's current asset valuation policies, the classification of some of its exposures or cause other relevant effects. Furthermore, supervision authorities have substantial discretion in how to regulate banks, and this discretion, and the means available to the regulators, have been steadily increasing during recent years. Regulation may be imposed on an ad hoc basis by governments and regulators in response to a crisis, and these may especially affect financial institutions such as the Bank. These regulators, as part of their supervisory function, periodically review the internal processes and controls related to all areas of the Group's business including the granting of credit and classification of risks, the Group's corporate governance and risk management, its technological security and its allowances for loan losses and may require the Group to change its business, governance and risk practices, to increase such allowances, to recognize further losses or to increase the regulatory risk-weighting of assets, or may increase its capital requirements. Any such measures, as required by these regulators, whose views may differ from those of the Group's management, could have an adverse effect on the Group's business and financial condition, including on its common equity tier 1 ("CET1") ratio.

The regulations that most significantly affect the Group, or which could most significantly affect the Group in the future, include regulations relating to capital and liquidity requirements (see “*Increasingly onerous capital, liquidity and funding requirements constitute one of the Group’s main regulatory challenges*”). Another example are the continuous revisions on the NPLs coverage amounts expected by the regulator which add more pressure on financial results (see “*Capital, liquidity and funding requirements and loss absorbing powers—New NPLs coverage requirements*”).

However, it is particularly noteworthy to mention how regulation has also increased in terms of customer and investor protection and digital and technological matters (including, among others: (i) the Mortgage Credit Directive 2014/17/EU on credit agreements for consumers relating to residential immovable property; (ii) the Payment Services Directive – PSD (Directive 2007/64/EC, of 13 November); (iii) PSD2 (Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market); (iv) the General Data Protection Regulation (Regulation (EU) 2016/679 of 27 April); (v) MiFID II; (vi) the Fourth Anti Money Laundering Directive (Directive (EU) 2015/849, of 20 May); (vii) the Insurance Distribution Directive (Directive (EU) 2016/97, of 20 January); (viii) the Benchmark Regulation (Regulation (EU) 2016/1011, of 8 June); and, in connection with insurance business, (ix) the Solvency II framework). In addition, the accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the stand-alone and consolidated financial statements. These changes can materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. In particular, the results of the Group could be adversely affected by the implementation of IFRS 17 in 2021 (or 2022, in case the one-year deferral of IFRS 17 proposed in the IASB meeting of November 2018 is finally approved in the due process of the amendment of the standard). The Bank is currently analyzing the effect of this standard and cannot anticipate as at the date of this Prospectus how it will impact the Group’s business, financial condition and results of operations.

Any required changes to the Group’s business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the Group’s ability to pursue business opportunities in which the Group might otherwise consider engaging, affect the value of assets that the Group holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional costs on the Group or otherwise adversely affect the Group’s businesses. Any of the foregoing may have a material adverse effect on the Group’s business, financial condition and results of operations.

Adverse regulatory developments or changes in government policy relating to any of the foregoing or other matters may have a material adverse effect on the Group’s business, financial condition and results of operations.

Increasingly onerous capital, liquidity and funding requirements constitute one of the Group’s main regulatory challenges

The Bank and the Group are subject to certain capital, liquidity and funding requirements (as described in the section “*Capital, liquidity and funding requirements and loss absorbing powers*”). There can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require the Group to issue additional securities that qualify as regulatory capital or eligible securities (this requirement to issue additional securities may, in addition, impair the ability of the Bank or the Group to manage their funding and capital resources in the most efficient way), to liquidate assets, to curtail business or to take any other actions, any of which may have a material adverse effect on the Group’s business, financial condition and results of operations.

The table below sets out the Group's capital position as of 30 September 2019, 31 December 2018 and 31 December 2017:

	30 September 2019		31 December 2018		31 December 2017	
	Phased in	Fully-loaded	Phased in	Fully-loaded	Phased in	Fully-loaded
CET1 ratio.....	15.4%	13.8%	15.4%	13.5%	14.6%	12.8%
T1 ratio.....	15.6%	14.0%	15.7%	13.7%	14.7%	13.0%
Total capital ratio	15.6%	14.0%	15.7%	13.7%	15.1%	13.3%

Failure by the Bank or the Group to comply with certain of the existing regulatory requirements could result in the imposition of administrative actions or sanctions, which would have a material adverse impact on the Group's business, financial condition and results of operations. In addition, any failure to comply with the Bank's or the Group's capital requirements could result in further P2R (as defined in "*Capital, liquidity and funding requirements and loss absorbing powers*") or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**"), which, together with Royal Decree 1012/2015, of 6 November, developing Law 11/2015 ("**Royal Decree 1012/2015**") have implemented BRRD into Spanish law, which may have a material adverse effect on the Group's business, financial condition and results of operations.

Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future.

The Group is subject to regulatory and legal proceedings

The Group is, and in the future may be, involved in various claims, disputes, legal proceedings and governmental investigations. The outcome of these claims, disputes, legal proceedings and governmental investigations is difficult to predict, and, therefore, the Issuer cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be or if the reserves accounted will be sufficient.

Floor clauses litigation

Among the legal proceedings in which the Group is involved, there are several proceedings related to clauses that set a minimum interest rate applicable to mortgage loans (known as "**floor clauses**", which set minimum interest rate payable by borrowers, whereby the borrower agrees to pay a minimum interest rate to the lender, regardless of the applicable benchmark rate). Borrowers have challenged the validity of such clauses in recent years on various grounds and courts have rendered various judgments, directed both at specific financial institutions (including the Bank) and the financial sector in general, declaring the invalidity of these clauses that set minimum interest rates.

As of 31 December 2018, the total outstanding principal amount of performing loans that include floor clauses amounted to €1,851 million, representing 6.9% of the Group's performing loans¹⁰.

IRPH potential litigation

In 2018, a preliminary ruling was filed before the Court of Justice of the European Union ("**CJEU**") to clarify whether a judgment of the Spanish Supreme Court of 14 December 2017, which exempted from any transparency control the reference rate for mortgages ("*Índice de Referencia de Préstamos Hipotecarios*",

¹⁰ Performing loans is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in "*Description of the Issuer—Alternative Performance Measures*".

“IPRH”) (average rate of mortgage loans over 3 years for the purchase of private housing by credit institutions in Spain), was adjusted to EU law.

As of 31 December 2018, the total outstanding principal amount of performing loans indexed to IPRH was approximately €205 million, representing 0.8% of the Group’s performing loans. The impact of an unfavorable ruling by the CJEU is difficult to quantify in advance, as it depends on a variety of factors, including how the IPRH will be substituted (i.e. how must the interest of the loan be calculated), if the effects of the judgement are to be applied retroactively and, if so, until what date, or the number of well-grounded claims that will be filed. Accordingly, an unfavorable ruling could have a material adverse effect on the Group’s business, financial condition and results of operations.

Other legal proceedings in which the Group is involved include legal proceedings in relation to (i) the newly issued mandatory convertible bonds and perpetual contingent convertible bonds of the Bank offered to acquire the preference shares and contingent convertible bonds of EspañaDueero in 2014; (ii) the interest calculation formula used by the Group in mortgage transactions; (iii) the early termination of mortgages; (iv) the expenses relating to the formalization of mortgages; and (v) claims in relation to Law 57/1968, of July 27, on the collection of advance amounts in the construction and sale of housing (*Ley 57/1968, de 27 de julio, sobre percibo de cantidades anticipadas en la construcción y venta de viviendas*), which is still applicable to all purchases of housing made until 1 January 2016, for the amounts delivered by individuals to developers on account of the purchase of housing, when said payments had been channeled through a credit institution.

The total provisions recorded by the Group to cover the losses arising from legal proceedings amounted to €288 million as of 31 December 2018, the majority of which are associated with potential claims relating to floor clauses.

While the Group has included provisions in its annual accounts to cover a potential adverse outcome of legal proceedings, such provisions may prove inadequate or insufficient. In addition, defending current and future actions is time-consuming and may result in the diversion of resources including management time. Accordingly, any existing and significant future claims could have a material adverse effect on the Group’s business, financial condition, results of operations and prospects.

See “*Description of the Issuer—Legal and arbitration proceedings*” for further information on the legal proceedings referred to above.

Risk of not recovering certain tax assets

As of 30 September 2019, the Group had deferred tax assets (“DTAs”) amounting to €2,668 million, representing 4.8% of its total assets (€2,568.7 million as of 31 December 2018, representing 4.47% of its total assets). As of 31 December 2018, CET 1 deductions related to DTAs amounted to €309 million and €660 million on a phased in and fully loaded basis, respectively. These assets or tax credits are mainly derived from (i) negative taxable basis for corporate tax due to losses in a given fiscal year (carried forward tax losses), (ii) bad debt provisions that have not been considered to be tax deductible and (iii) other temporary adjustments recognized in a given fiscal year, that are pending to be applied.

The recovery of certain tax assets, in particular, deductions pending to be applied, is subject to certain time limitations. However, the Group’s ability to recover tax assets in the future is not subject to time limitations, provided that temporary differences are typically recovered following the recovery path foreseen accounting-wise, and there is no time limit to offset carried forward tax losses.

Out of the €2,668 million total DTAs as of 30 September 2019 (€2,568.7 million as of 31 December 2018), €1,556 million (€1,486.5 million as of 31 December 2018) that are derived from temporary differences, which were created before 23 November 2016 and which are guaranteed by the Spanish state (with 100% credit risk

weighting¹¹) and which can be converted by the Group into a current asset against the Spanish tax authorities in the event of liquidation or judicial insolvency or if the Group records accounting losses in its audited annual accounts.

The eventual recovery of these tax assets is subject to or limited by the occurrence of certain factors, such as obtaining sufficient profits, the non-reduction of the corporate tax rate or the existence of discrepancies with the Spanish tax authorities in the settlement of such tax.

Therefore, in the event that (i) the Group generates insufficient profits (or not profit at all) within the applicable time to offset non-monetizable tax credits; (ii) the corporate income tax rate is reduced, resulting in a reduction of the DTAs accounting wise or in a restriction to use certain DTAs subject to time limitations; (iii) discrepancies are detected in previous tax returns as a consequence of audits undertaken by the Spanish tax authorities resulting in a reduction of the Group's DTAs; or (iv) there are changes in current regulations, or their application or interpretation, the Group could be totally or partially restricted from recovering the amount of its DTAs, which could have a material adverse effect on the Group's business, results of operations and/or financial condition.

Tax inspections

Fundación Bancaria Unicaja, the Bank and some of its subsidiaries form part of the same Tax group (the “**Tax Group**”). On 11 January 2019, the Spanish tax authorities initiated a tax inspection related to the following taxes and years:

- Corporate Income Tax for fiscal years 2014 to 2016;
- Value Added Tax for fiscal years 2015 and 2016;
- Withholding taxes (Personal Income Tax, Corporate Income Tax and Non-Residents Income Tax) for fiscal years 2015 and 2016;
- Customer deposits tax for fiscal years 2014 and 2016.

As of the date of this Prospectus, the tax inspection is still ongoing, and, taking into account that some tax laws (or part of them) may be subject to different interpretations, the Group cannot conclude on whether any discrepancy may be detected by the Spanish tax authorities.

Therefore, at this stage the Group cannot assess on whether a negative outcome of the tax inspection should be expected, which, in such case, it could result in some tax liabilities being triggered or in a reduction of the Group's DTAs.

Risks relating to the Notes

The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Holders of the Notes under, and the value of, any Notes

As discussed in “*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers*”, the Notes may be subject to the bail-in tool (the “**Spanish Bail-in Power**” as defined therein) and to the write down and conversion powers (the “**Non-Viability Loss Absorption**” as defined therein) contemplated in article 59 of BRRD and in general to the powers that may be exercised by the Relevant Resolution Authority (as defined therein) under Law 11/2015 and Regulation (EU) No 806/2014, of 15 July, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a

¹¹ As required by Article 39.2 of CRR.

Single Resolution Mechanism and a Single Resolution Fund and amending the SRM Regulation. The exercise of any such powers (or any other resolution powers and tools) may result in Holders losing some or all of their investment or otherwise having their rights under the Notes adversely affected and not only the exercise but also any suggestion that such exercise may happen, could materially adversely affect the market price or value or trading behaviour of any Notes and/or the ability of the Bank to satisfy its obligations under any Notes. The Spanish Bail-in Power may also be exercised in such manner as to result in Holders receiving a different security, which may be worth significantly less than the Notes.

There may be limited protections, if any, that will be available to holders of securities subject to the Spanish Bail-in Power (including the Notes) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly, Holders of the Notes may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise such powers. In particular, to the extent that any resulting treatment of a Holder of the Notes pursuant to the exercise of the Spanish Bail-in Power or Non-Viability Loss Absorption is less favourable than would have been the case in normal insolvency proceedings, a Holder of such affected Notes may have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of Royal Decree 1012/2015 and the SRM Regulation. Any such compensation, together with any other compensation provided by any Applicable Banking Regulations (including, among other such compensation, in accordance with Article 36.5 of Law 11/2015) is unlikely to compensate that Holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation. Compensation payments (if any) are also likely to be made considerably later than when amounts may otherwise have been due under the affected Notes. In addition, in the case of a Non-Viability Loss Absorption, it is unclear that a Holder would have a right to compensation under the BRRD and the SRM Regulation if any resulting treatment of such Holder pursuant to the exercise of the Non-Viability Loss Absorption was less favourable than would have been the case in normal insolvency proceedings.

The exercise of the Spanish Bail-in Power and/or any Non-Viability Loss Absorption by the Relevant Resolution Authority with respect to the Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Holders of the Notes may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Spanish Bail-in Power and/or any Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur.

Any actions by the Relevant Resolution Authority pursuant to the ones granted by Law 11/2015, or other measures or proposals relating to the resolution of institutions, may adversely affect the rights of Holders of the Notes, the price or value of an investment in the Notes and/or the Bank's ability to satisfy its obligations under the Notes.

The obligations of the Bank under the Notes are subordinated

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law read in conjunction with Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise) and upon the insolvency of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments would rank as set out in Condition 2. For these purposes, as of the date of this Prospectus and according to Additional Provision 14.3° of Law 11/2015, the ranking of the Notes and any other subordinated obligations of the Bank may depend on whether those obligations qualify at the relevant time as Additional Tier 1 Instruments or Tier 2 Instruments or constitute subordinated obligations of the Bank not qualifying as Additional Tier 1

Instruments or Tier 2 Instruments. See Condition 2 for the complete provisions regarding the ranking of the Notes.

As a result of this subordination, and insofar as the Notes qualify as Tier 2 Instruments, in the case of any application of the Spanish Bail-in Power (see “*The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Holders of the Notes under, and the value of, any Notes*”), any resulting write down or conversion shall affect the Notes (i) immediately after CET1 items and the principal amount of other claims ranking below the Notes (including AT1 items) and (ii) ahead of the principal amount of claims ranking ahead of the Notes, as further discussed in “*Capital, Liquidity and Funding Requirements and Loss Absorbing Powers*”.

In addition, if the Bank were wound up or liquidated, the Bank’s liquidator would first apply the assets of the Bank to satisfy all claims of holders of unsubordinated obligations of the Bank and other creditors ranking ahead of Holders. If the Bank does not have sufficient assets to settle claims of prior ranking creditors in full, the claims of the Holders under the Notes will not be satisfied. Holders will share equally in any distribution of assets with the holders of any other instrument ranking by law or by its terms, to the extent permitted by law, *pari passu* with the Notes if the Bank does not have sufficient funds to make full payment to all of them. In such a situation, Holders could lose all or part of their investment.

The Notes provide for limited events of default

The Conditions do not provide for any events of default, except in the case that an order is made by any competent court commencing insolvency proceedings against the Bank or for its winding up or dissolution (other than as permitted in Condition 6). Accordingly, in the event that any payment on the Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their Notes but will have no right to accelerate such Notes.

As mentioned above, pursuant to the BRRD, as implemented through Law 11/2015 and Royal Decree 1012/2015, and the SRM Regulation the Bank may be subject to a procedure of early intervention or resolution. Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Bank to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the adoption of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any attempt by a Holder to enforce its rights under the Notes following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD and Law 11/2015 and Royal Decree 1012/2015 in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see “—*The Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority. Other powers contained in Law 11/2015 or the SRM Regulation could materially affect the rights of the Holders of the Notes under, and the value of, any Notes*”).

There can be no assurance that the taking of any such action would not adversely affect the rights of Holders (in particular, any rights a Holder may otherwise have on the occurrence of any such action may be limited in these circumstances), the price or value of their investment in the Notes and/or the ability of the Bank to satisfy its obligations under the Notes.

The Notes may be redeemed at the option of the Bank

All, but not some only of the Notes may be redeemed at the option of the Bank on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption.

The redemption of the Notes at the option of the Bank is subject to the prior Supervisory Permission (as defined in the Conditions) and compliance with Applicable Banking Regulations then in force. Under the CRR, Supervisory Permission shall be given by the Competent Authority provided that either of the following conditions is met:

- (i) on or before such redemption of the Notes, the Bank replaces the Notes with own funds instruments of equal or higher quality at terms that are sustainable for the income capacity of the Bank;
- (ii) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, exceed the requirements laid down in CRR, CRD IV and BRRD by a margin that the Competent Authority considers necessary.

The Notes are also redeemable on or after the Issue Date at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption (subject to the prior Supervisory Permission and otherwise in accordance with Applicable Banking Regulations then in force) if there is a Capital Event or a Tax Event (each as defined in Condition 14). In this case, in addition to the above described conditions, redemption requires that the Bank demonstrates to the satisfaction of the Competent Authority that such Capital Event or Tax Event was not reasonably foreseeable at the Issue Date and, in the case of a Tax Event, that the Tax Event is material. Furthermore, in the case of a Capital Event, the Competent Authority must consider that such Capital Event is sufficiently certain.

It is not possible to predict whether or not any further change in the laws or regulations of Spain, Applicable Banking Regulations or, in the case of a redemption of the Notes for tax reasons, the official application or interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Bank is able to elect to redeem the Notes, and if so whether or not the Bank will elect to exercise such option to redeem the Notes or any prior consent of the Competent Authority required for such redemption will be given. There can be no assurances that, in the event of any such early redemption, Holders will be able to reinvest the proceeds at a rate that is equal to the return on the Notes.

In addition, the redemption feature of the Notes is likely to limit their market value. During any period when the Bank has the right to elect to redeem the Notes or there is a perceived increase in the likelihood that the Bank will exercise the right to elect to redeem the Notes, the market value of the Notes is unlikely to rise substantially above the price at which they can be redeemed. This may also be true prior to such period.

The terms of the Notes contain a waiver of set-off rights

The Conditions provide that Holders waive any set-off, netting or compensation rights against any right, claim, or liability the Bank has, may have or acquire against any Holder, directly or indirectly, howsoever arising, as required under the Applicable Banking Regulations. As a result, Holders will not at any time be entitled to set-off the Bank's obligations under the Notes against obligations owed by them to the Bank.

Substitution and variation of the Notes without Holder consent

Subject to Condition 4.6, if a Tax Event or a Capital Event occurs, the Bank may, instead of redeeming the Notes, at any time, without the consent of the Holders, and subject to compliance with Applicable Banking Regulations and to the prior Supervisory Permission, either (a) substitute new notes for all (but not some only) the Notes whereby such new notes shall replace the Notes or (b) vary the terms of all (but not some only) the

Notes, so that the Notes may become or remain Qualifying Tier 2 Notes (as defined in the Conditions), provided that such substitution or variation shall not result in terms that are materially less favourable to the Holders, as certified in a Bank Certificate (as defined in the Conditions) and an Independent Financial Adviser Certificate (as defined in the Conditions). In the exercise of its discretion, the Bank will have regard to the interest of the Holders as a class.

While Qualifying Tier 2 Notes must contain terms that are materially no less favourable to Holders as the original terms of the Notes, there can be no assurance that the terms of any Qualifying Tier 2 Notes will be viewed by the market as equally or more favourable, or that the Qualifying Tier 2 Notes will trade at prices that are equal to or higher than the prices at which the Notes would have traded on the basis of their original terms.

Moreover, prior to the making of any such substitution or variation, the Bank shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Holders. No Holder shall be entitled to claim, whether from the Bank, or any other person, any indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Holders of Notes.

Gross-up obligation under the Notes does not apply to any repayment of principal

The Bank's obligation under Condition 7 to pay additional amounts in the event of any withholding or deduction in respect of taxes on any payments of interest and any other amounts does not apply to any repayment of principal. Accordingly, if any such withholding or deduction were to apply, Holders of the Notes may receive less than the full amount of principal due under the Notes upon redemption, and the market value of the Notes may be adversely affected. Condition 7 sets out the conditions under which the gross-up obligation on interest payments applies.

Risks relating to EURIBOR and other “benchmarks”

The determination of the interest in respect of the Notes after the Reset Date is dependent upon the relevant 6-month Euro Interbank Offered Rate (“EURIBOR”) calculated at the relevant time (as specified in the Conditions). The EURIBOR and other interest rate or other types of rates and indices which are deemed to be “benchmarks” are the subject of ongoing national and international regulatory reform. Following the implementation of any such potential reforms, the manner of administration of benchmarks may change with the result that they may perform differently than in the past or other consequences which cannot be predicted.

In this respect, the Benchmark Regulation applies to “contributors”, “administrators” and “users” of “benchmarks” in the EU, and will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and to comply with extensive requirements in relation to the administration of “benchmarks” (or, if non-EU based, to be subject to equivalent requirements) and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised/registered (or, if non-EU based, deemed equivalent or recognised or endorsed).

The scope of the Benchmark Regulation is wide and, in addition to so-called “critical benchmark” indices, applies to many interest rate and foreign exchange rate indices, equity indices and other indices (including “proprietary” indices or strategies) where used to determine the amount payable under or the value or performance of certain financial instruments traded on a trading venue or via a systematic internaliser, financial contracts and investment funds, which could also include the 5-year Mid-Swap Rate.

The Benchmark Regulation could have a material impact on securities traded on a trading venue or via a “systematic internaliser” linked to a “benchmark” index, including in any of the following circumstances: (i) an index which is a “benchmark” could not be used by a supervised entity in certain ways if its administrator does not obtain authorisation or registration or, if based in a non-EU jurisdiction, the administrator is not

recognised as equivalent or recognised or endorsed and the transitional provisions do not apply; and (ii) the methodology or other terms of the “benchmark” could be changed in order to comply with the terms of the Benchmark Regulation, and such changes could (amongst other things) have the effect of reducing or increasing the rate or level or affecting the volatility of the published rate or level of the benchmark.

More broadly, any of the international, national or other proposals for reform or the general increased regulatory scrutiny of “benchmarks” could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain “benchmarks”, trigger changes in the rules or methodologies used in certain “benchmarks” or lead to the disappearance of certain “benchmarks”.

Unavailability or discontinuation of the 5-year Mid-Swap Rate

Investors should be aware that, if EURIBOR were discontinued or otherwise unavailable, the rate of interest on the Notes for the Reset Period is based on a reset mid-swap rate and may be determined for the Reset Period by the fall-back provisions applicable to the Notes. The fall-back provisions applicable to the Notes also provide in certain circumstances for the effective application of a fixed rate based on the rate which was last observed on the relevant Screen Page.

In addition, if a Benchmark Event (as defined in Condition 14 (which, amongst other events, includes the permanent discontinuation of the 5-year Mid-Swap Rate)) occurs, the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser (as defined in the Conditions) to determine a Successor Rate or, failing which, an Alternative Rate to be used in place of the 5-year Mid-Swap Rate. If the Bank is unable to appoint an Independent Financial Adviser; or the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

Any such Successor Rate or Alternative Rate (including the administrator of such rate) will be subject to the requirements of the Benchmark Regulation.

Furthermore, if a Successor Rate or Alternative Rate is determined in accordance with the Conditions, the Independent Financial Adviser or the Bank (as applicable), may vary certain aspects of the Conditions, as necessary, to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread, without any requirement for consent or approval of the Holders.

If a Successor Rate or Alternative Rate is determined by the Independent Financial Adviser or the Bank (as applicable), the Conditions also provide that an Adjustment Spread may be determined by the Independent Financial Adviser or the Bank and applied to such Successor Rate or Alternative Rate. The aim of the Adjustment Spread is to reduce or eliminate, to the extent reasonably practicable, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate. However, it may not be possible to determine or apply an Adjustment Spread and, even if an Adjustment Spread is applied, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Holders. If no Adjustment Spread can be determined, a Successor Rate or Alternative Rate may nonetheless be used to determine the Reset Rate of Interest. The use of any Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) may still result in the Notes performing differently (which may include payment of a lower Reset Rate of Interest) than they would if the 5-year Mid-Swap Rate were to continue to apply.

Where the Bank is unable to appoint an Independent Financial Adviser in a timely manner, or the Independent Financial Adviser or the Bank (as applicable) is unable to determine a Successor Rate or Alternative Rate before

the Reset Determination Date, the 5-year Swap-Rate applicable to each Interest Period during that Reset Period will be equal to the last available 5-year Mid-Swap Rate on the Screen Page and will continue to apply to final redemption.

The Conditions also provide that no Successor Rate or Alternative Rate or Adjustment Spread (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Bank or the Group.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the Notes. See Condition 3.7.

INFORMATION INCORPORATED BY REFERENCE

The documentation set out below shall be deemed to be incorporated by reference in, and to form part of, this Prospectus. However, any statement contained in any such document shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in this Prospectus modifies or supersedes such statement:

- (i) The Group's unaudited financial report as of and for the nine-months ended 30 September 2019, available at Unicaja Banco's website (<https://www.unicajabanco.com/resources/1571661622101.pdf>) (the **"2019 Third Quarter Financial Report"**).
- (ii) The Group's audited consolidated annual accounts and the directors' report as of and for the year ended 31 December 2018, prepared in accordance with the International Financial Reporting Standards as adopted in the European Union (**"IFRS-EU"**), together with the audit report of PricewaterhouseCoopers Auditores, S.L., available at Unicaja Banco's website (<https://www.unicajabanco.com/resources/1551440005569.pdf>) (together, the **"2018 Consolidated Annual Accounts"**).
- (iii) The Group's audited consolidated annual accounts and the directors' report as of and for the year ended 31 December 2017, prepared in accordance with IFRS-EU, together with the audit report of PricewaterhouseCoopers Auditores, S.L., available at Unicaja Banco's website (<https://www.unicajabanco.com/resources/1521735433008.pdf>) (together, the **"2017 Consolidated Annual Accounts"**).

Each document incorporated herein by reference is only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of Unicaja Banco or the Group, as the case may be, since the date thereof or that the information contained therein is current as of any time subsequent to its date.

The information contained on the corporate website of the Issuer does not form part of this Prospectus.

English translations

English translations of the 2019 Third Quarter Financial Report, the 2018 Consolidated Annual Accounts and the 2017 Consolidated Annual Accounts, are available at Unicaja Banco's website: <https://www.unicajabanco.com/resources/1571661637594.pdf>; <https://www.unicajabanco.com/resources/1568377453351.pdf> and <https://www.unicajabanco.com/resources/1528457054775.pdf>, respectively.

The referred English translations are for information purposes only and are not incorporated by reference to this Prospectus. In the event of a discrepancy, the original Spanish-language versions prevail.

CONDITIONS OF THE NOTES

The following is the text of the Conditions of the Notes.

The Notes (as defined below) have been issued by Unicaja Banco, S.A. (the “**Bank**”) by virtue of the resolutions passed by (i) the general shareholders’ meeting of the Issuer on 27 April 2018 and (ii) the Board of Directors (*Consejo de Administración*) of the Bank held on 25 October 2019.

1 Form, Denomination and Title

1.1 The Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of €300,000,000 and in the denomination of €100,000 (as reduced from time to time by any write down or cancellation, as the case may be, the “**principal amount**” of a Note).

1.2 The Notes have been registered with Iberclear as managing entity of the central registry of the Spanish settlement system (the “**Spanish Central Registry**”). Holders of a beneficial interest in the Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, S.A. (“**Clearstream Luxembourg**”) with Iberclear.

Iberclear manages the settlement of the Notes, notwithstanding the Bank’s commitment to assist, when appropriate, on the clearing and settlement of the Notes through Euroclear and Clearstream Luxembourg.

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Notes: ES0280907017. The Common Code for this issue is 207969460.

1.3 Title to the Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the Notes recorded therein. In these Conditions, the “**Holder**” means the person in whose name such Notes are for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Holder shall be construed accordingly.

One or more certificates (each a “**Certificate**”) attesting to the relevant Holder’s holding of Notes in the relevant registry will be delivered by the relevant Iberclear Member or by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member’s or, as the case may be, Iberclear’s procedures) to such Holder upon such Holder’s request.

The Notes have been issued without any restrictions on their transferability. Consequently, the Notes may be transferred and title to the Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

2 Status of Notes

The payment obligations of the Bank under the Notes on account of principal constitute direct, unconditional, unsecured and subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2º

of the Insolvency Law and, in accordance with Additional Provision 14.3° of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency (*concurso*) of the Bank, for so long as the obligations of the Bank under the Notes qualify as Tier 2 Instruments, would rank:

- (a) senior to:
 - (i) any claims for principal in respect of contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law qualifying as Additional Tier 1 Instruments;
 - (ii) any claims for the liquidation amount of the ordinary shares of the Bank, and
 - (iii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank junior to the Bank's obligations under the Notes;
- (b) *pari passu* among themselves and with:
 - (i) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law qualifying as Tier 2 Instruments of the Bank; and
 - (ii) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank *pari passu* with the Bank's obligations under the Notes; and
- (c) junior to:
 - (i) any claims for principal in respect of unsubordinated obligations (*créditos ordinarios*) of the Bank;
 - (ii) any subordinated obligations (*créditos subordinados*) of the Bank under Article 92.1° of the Insolvency Law;
 - (iii) any claims for principal in respect of other contractually subordinated obligations (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law not qualifying as Additional Tier 1 Instruments or Tier 2 Instruments; and
 - (iv) any other subordinated obligations (*créditos subordinados*) of the Bank which by law and/or by their terms, to the extent permitted by Spanish law, rank senior to the Bank's obligations under the Notes.

As of the Issue Date, according to the Insolvency Law, claims of Holders in respect of interest accrued but unpaid as of the commencement of any insolvency procedure in respect of the Bank shall constitute subordinated claims (*créditos subordinados*) against the Bank ranking in accordance with Article 92.2° of the Insolvency Law and accrual of interest shall be suspended from the date of declaration of insolvency of the Bank.

3 Interest Payments

3.1 Interest Rate

The Notes bear interest on their outstanding principal amount at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

Interest shall be payable on the Notes annually in arrear on each Interest Payment Date as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any Note for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

3.2 ***Interest Accrual***

The Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 4.1, 4.3, 4.4 or 4.5 or the date of cancellation thereof pursuant to Condition 4.8, as the case may be, unless payment of all amounts due in respect of such Note (if any) is not properly and duly made, in which event interest shall continue to accrue on the Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any Note for any period shall be equal to the product of the outstanding principal amount of the Note, the relevant Interest Rate and the day-count fraction as described in Condition 3.1 for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

3.3 ***Initial Fixed Interest Rate***

During the Initial Fixed Rate Interest Period, the Notes bear interest at the rate of 2.875% per annum (the “**Initial Fixed Interest Rate**”). The amount of interest payable on each Interest Payment Date during the Initial Fixed Rate Interest Period shall be €2,875 in respect of each Note of €100,000 denomination.

3.4 ***Reset Rate of Interest***

The Interest Rate will be reset (the “**Reset Rate of Interest**”) in accordance with this Condition 3 on the Reset Date. The Reset Rate of Interest will be determined by the Bank on the Reset Determination Date as the sum of the 5-year Mid-Swap Rate and the Margin. From (and including) the Reset Date the Notes bear interest at the Reset Rate of Interest.

3.5 ***Determination of Reset Rate of Interest***

The Bank will, as soon as practicable after 11:00 a.m. (Central European time) on the Reset Determination Date, determine the Reset Rate of Interest in respect of the Reset Period.

3.6 ***Publication of Reset Rate of Interest***

The Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 3 in respect of the Reset Period to be given to Holders in accordance with Condition 10 as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

3.7 ***Benchmark discontinuation***

(a) Independent Financial Adviser

If at the time of determination of the Reset Rate of Interest, a Benchmark Event occurs or has occurred and is continuing, then the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.7(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 3.7(c)) and any Benchmark Amendments (in accordance with Condition 3.7(d)).

If the Bank (i) is unable to appoint an Independent Financial Adviser; or, (ii) the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.7(a) prior to the Reset Determination Date, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

If the Bank is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the Reset Determination Date, the relevant 5-year Mid-Swap Rate applicable to each Interest Period ending during the Reset Period shall be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as a rate, on the relevant Screen Page.

For the avoidance of doubt, this Condition 3.7(a) shall apply to all payments of interest on the Notes from the end of the Initial Fixed Interest Rate Period onwards only, and the interest payable on the Notes during the Reset Period is subject to the subsequent operation of, and to adjustment as provided in, this Condition 3.7(a).

(b) Successor Rate or Alternative Rate

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes from the end of the Initial Fixed Rate Interest Period onwards (subject to the operation of this Condition 3.7); or
- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 5-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes from the end of the Initial Fixed Rate Interest Period onwards (subject to the operation of this Condition 3.7).

(c) Adjustment Spread

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 3.7 and the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that amendments to the day count fraction, the business days convention, the Reset Determination

Date, the floating leg of the 5-year Mid-Swap Rate, the Reset Rate of Interest, and the method for determining the fallback rate in relation to the Notes are necessary in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread (such amendments, the “**Benchmark Amendments**”) and (ii) the terms of the Benchmark Amendments, then the Bank shall, subject to giving notice thereof in accordance with Condition 3.7(e), without any requirement for consent or approval of the Holders, vary these Conditions to give effect to such Benchmark Amendments with the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.7(d), the Bank shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(e) Notices, etc.

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 3.7 will be notified promptly by the Bank to the Holders in accordance with Condition 10. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any, and will be binding on the Bank and the Holders.

(f) Survival of 5-year Mid-Swap Rate

Without prejudice to the obligations of the Bank under this Condition 3.7, the 5-year Mid-Swap Rate and the fallback provisions otherwise provided for in these conditions will continue to apply unless and until a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 3.7, no Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the qualification of the Notes as Tier 2 Capital of the Bank or the Group.

4 Redemption, Substitution, Variation and Purchase

4.1 Final Redemption

Unless previously redeemed or purchased and cancelled pursuant to Conditions 4.7 and 4.8 or substituted and cancelled pursuant to Conditions 4.6 and 4.8, the Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 13 November 2029. The Notes may not be redeemed at the option of the Bank other than in accordance with this Condition 4.

4.2 Conditions to Redemption, Substitution, Variation and Purchase prior to Final Redemption

The Bank may, subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission, when applicable, redeem or purchase the Notes or substitute or vary the terms of the Notes in each case in accordance with Conditions 4.3, 4.4, 4.5, 4.6 or 4.7(a).

As of the Issue Date, Article 78(1) of the CRR provides that the Competent Authority shall give its consent to a redemption, repayment or repurchase of the Notes provided that either of the following conditions is met:

- (a) on or before such redemption, repayment or repurchase of the Notes, the Bank replaces the Notes with own funds instruments of an equal or higher quality on terms that are sustainable for the income capacity of the Bank;

- (b) the Bank has demonstrated to the satisfaction of the Competent Authority that its own funds and eligible liabilities would, following such redemption, repayment or repurchase, exceed the requirements laid down in the CRR, the CRD IV Directive and the BRRD by a margin that the Competent Authority considers necessary.

Prior to the publication of any notice of substitution, variation or redemption pursuant to Conditions 4.4, 4.5 and 4.6, the Bank shall make available to the Holders at its registered office a certificate signed by two of its duly Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied.

4.3 ***Bank's Call Option***

Subject to Condition 4.2, the Bank may, by giving not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem all, but not some only, of the Notes on the Reset Date at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

4.4 ***Redemption Due to Tax Event***

If, prior to the giving of the notice referred to below in this Condition 4.4, a Tax Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

As of the Issue Date, Article 78(4) of the CRR provides that the Competent Authority may permit the Bank to call, redeem, repay or repurchase the Notes during the five years following the Issue Date in the case of a Tax Event if, in addition to meeting one of the conditions referred to in Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that such Tax Event is material and was not reasonably foreseeable at the Issue Date.

4.5 ***Redemption Due to Capital Event***

If, prior to the giving of the notice referred to below in this Condition 4.5, a Capital Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the Notes.

As of the Issue Date, Article 78(4) of the CRR provides that the Competent Authority may permit the Bank to call, redeem, repay or repurchase the Notes during the five years following the Issue Date in the case of a Capital Event if, in addition to meeting one of the conditions referred to in Article 78(1) of the CRR, the Bank demonstrates to the satisfaction of the Competent Authority that the regulatory reclassification was not reasonably foreseeable at the Issue Date.

4.6 ***Substitution or Variation***

If a Tax Event or a Capital Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 30 nor more than 60 days' notice to the Holders in accordance with

Condition 10 but without any requirement for the consent or approval of the Holders, at any time (whether before, on or following the Reset Date) either substitute all (but not some only) of the Notes for, or vary the terms of all (but not some only) of the Notes so that they remain or, as appropriate, become, Qualifying Tier 2 Notes. Upon the expiry of such notice, the Bank shall either vary the terms of or substitute the Notes in accordance with this Condition 4.6, as the case may be.

Any notice provided in accordance with this Condition 4.6 shall be irrevocable, specify the relevant details of the manner in which such substitution or, as the case may be, variation shall take effect (including the date for substitution or variation) and where the Holders can inspect or obtain copies of the new conditions of the Notes. Such substitution or, as the case may be, variation will be effected without any cost or charge to the Holders.

In connection with any substitution or variation in accordance with this Condition 4.6, the Bank shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

4.7 Purchases

- (a) The Bank, or any member of the Group, may, subject to Condition 4.2, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for their account, Notes in any manner and at any price. The Notes so purchased (or acquired), while held by or on behalf of the Bank, or any member of the Group, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders.
- (b) Notwithstanding Condition 4.2, the Bank or any member of the Group, or any agent on its or their behalf shall have the right at all times to purchase the Notes for market making purposes or if it would be beneficial from a prudential point of view and justified by exceptional circumstances subject to prior Supervisory Permission if required under prevailing Applicable Banking Regulations, and has otherwise complied with any conditions therefore set out in the Applicable Banking Regulations.

4.8 Cancellation

All Notes substituted by the Bank pursuant to Condition 4.6 will forthwith be cancelled. All Notes purchased by or on behalf of the Bank may, subject to obtaining any Supervisory Permission therefore if required under prevailing Applicable Banking Regulations, be held, resold or, at the option of the Bank, cancelled forthwith. Any Notes so cancelled may not be resold and the obligations of the Bank in respect of any such Notes shall be discharged.

4.9 Unauthorised Purchases

By its acquisition of any Note, each Holder shall be deemed to have acknowledged and accepted that, if the Bank or any member of the Group purchases any Note from a Holder without having obtained the prior Supervisory Permission as required under the Applicable Banking Regulations in effect at the relevant time, the Holder shall be obliged to repay in full to the Bank or the relevant member of the Group, as the case may be, any amounts received by it in consideration of such purchase.

5 Payments

5.1 Method of Payment

Payments of principal and interest in respect of the Notes will be made in euro by transfer to the registered euro account of the relevant Holder maintained by or on behalf of it with a bank that processes

payments in a city in which banks have access to the TARGET System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the date on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Notes. The Bank will have no responsibility or liability for the records relating to payments made in respect of the Notes.

5.2 *Payments Subject to Laws*

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Bank agrees to be subject and the Bank will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

5.3 *Delay in Payment*

Holders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Note if the due date is not a Business Day.

5.4 *Non-Business Days*

If any date for payment in respect of any Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day.

6 Default

If an order is made by any competent court commencing insolvency proceedings against the Bank or if any order is made by any competent court or resolution passed for the winding up or dissolution of the Bank (except in the case of a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Holders of the Notes; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a financial institution (*entidad de crédito*) under article 1 of Law 10/2014, as amended and restated and (B) has a rating for long-term subordinated debt assigned by a Rating Agency equivalent to or higher than the rating for long-term subordinated debt of the Bank immediately prior to such reconstruction, merger or amalgamation) and such order is continuing, then any Note may, unless there has been an Extraordinary Resolution to the contrary at a meeting of Holders, by written notice addressed by the Holder thereof to the Bank and delivered to the Bank, be declared immediately due and payable, whereupon the principal amount of such Notes together with any accrued and unpaid interest thereon to the date of payment shall, when permitted by applicable Spanish law, become immediately due and payable without further action or formality.

If a default occurs under this Condition 6, claims of Holders in respect of the Notes shall rank as set out under Condition 2.

Except as set out in this Condition 6, Holders shall have no right to declare immediately due and payable any amounts of principal or interest in respect of the Notes.

By its acquisition of any Note, each Holder acknowledges and accepts that the taking by the Relevant Resolution Authority of an early intervention measure or a resolution action in respect of the Bank under the Applicable Banking Regulations shall not constitute an event of default and Holders shall have no right to declare immediately due and payable any amounts of principal or interest in respect of the Notes.

7 Taxation

All payments of interest and any other amounts payable (excluding, for the avoidance of doubt, any repayment of principal) in respect of the Notes by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding, for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required.

The Bank shall not be required to pay any additional amounts in relation to any payment in respect of Notes:

- (a) presented for payment by or on behalf of a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of the Notes by reason of his having some connection with Spain other than:
 - (i) the mere holding of Notes; or
 - (ii) the receipt of any payment in respect of Notes;
- (b) where taxes are imposed by the Kingdom of Spain (or any political subdivision thereof or any authority or agency therein or thereof having power to tax) that are (i) any estate, inheritance, gift, sales, transfer, personal property or similar taxes or (ii) solely due to the appointment by any Holder, or any person through which such Holder holds such Note, of a custodian, collection agent, person or entity acting on its behalf or similar person in relation to such Note; or
- (c) to, or to a third party on behalf of, a Holder who is an individual resident for tax purposes in the Kingdom of Spain (or any political subdivision or any authority thereof or therein having power to tax); or
- (d) to, or to a third party on behalf of, a Holder in respect of whose Notes the Bank (or an agent acting on behalf of the Bank) has not received such information as it may be required to obtain in order to comply with Spanish tax reporting requirements, as may be necessary to allow payments on such Notes to be made free and clear of withholding tax or deduction on account of any taxes imposed by Spain, including when the Bank (or an agent acting on behalf of the Bank) does not receive a duly executed and completed certificate, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation.

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the Notes will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof (“**FATCA**”) or any law implementing an intergovernmental approach to FATCA.

8 Prescription

Claims against the Bank for payment in respect of the Notes shall be prescribed and become void unless made within five years after the date on which the payment in question becomes due and payable.

9 Meetings of Holders, Modification and Substitution

9.1 Convening meetings

- (a) *Meetings convened by the Bank*

The Bank may, at any time, and shall, if so directed in writing by Holders holding not less than 10% in aggregate principal amount of the Notes for the time being outstanding (the “**relevant Holders**”), convene a meeting of Holders.

(b) *Meetings convened by the Holders*

If the Bank has not delivered notice convening a meeting of the Holders prior to the expiry of seven clear days from the date on which the Bank has received written directions from the relevant Holders to do so, the relevant Holders may themselves convene the meeting in place of the Bank subject to and in accordance with the provisions of this Condition 9, *provided however that*, in such circumstances all references to the performance by the Bank of a particular obligation in this Condition 9, or the delivery by the Bank of any notice in accordance with Condition 10, shall be deemed to be a reference to the performance by the relevant Holders of such obligation and/or the delivery of such notice. Any costs and expenses incurred by the relevant Holders as a result of, in connection with or related to the convening by them of a meeting of the Holders in such circumstances shall be for the account of the Bank and shall be promptly paid by the Bank to the account designated for such purpose in writing by the relevant Holders upon presentation of receipts, invoices or other documentary evidence of such costs.

Notwithstanding the foregoing, no refusal or failure by the Bank to convene a meeting of the Holders when so directed by the relevant Holders shall give rise to any right by any Holder to declare any principal amounts or interest in respect of the Notes immediately due and payable.

9.2 ***Procedures for convening meetings***

At least 21 clear days’ notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 10.

The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, where the meeting has been convened to vote on any matter requiring the approval of the Holders by means of an Extraordinary Resolution only, shall specify the terms of the Extraordinary Resolution to be proposed. This notice shall include information as to the manner in which Holders are entitled to attend and vote at the meeting.

If the meeting has been convened by the relevant Holders in the circumstances set out in Condition 9.1(b), a copy of the notice shall also be sent by certified post to the Bank.

9.3 ***Chairman***

The person (who may be, but need not be, a Holder) nominated in writing by the Bank (the “**Chairman**”) shall be entitled to take the chair at each meeting but if no nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders present shall choose one of their number to be Chairman, failing which the Bank may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

9.4 ***Quorums***

(a) *Regular Quorum*

At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5% in principal amount of the Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business, and no business (other than the choosing of a Chairman in accordance with Condition

9.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

(b) *Extraordinary Quorum*

The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50% in principal amount of the Notes for the time being outstanding.

(c) *Enhanced Quorum*

At any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

- (i) a reduction or cancellation of the principal amount of the Notes for the time being outstanding; or
- (ii) a reduction of the amount payable or modification of the Interest Payment Dates or variation of the method of calculating the Interest Rate; or
- (iii) a modification of the currency in which payments under the Notes are to be made; or
- (iv) a modification of the majority required to pass an Extraordinary Resolution; or
- (v) the sanctioning of any scheme or proposal described in Condition 9.8(b)(vi) below; or
- (vi) any proposal to amend any of the terms of this sub-paragraph 9.4(c) or the terms of Condition 9.5(a) below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in principal amount of the Notes for the time being outstanding.

9.5 *Adjourned Meeting*

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 9.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day, the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period not less than 14 clear days nor more than 42 clear days at a place appointed by the Chairman and approved by the Bank).

Otherwise, at least 7 clear days' notice specifying the place, day and hour of the adjourned meeting, and otherwise given in accordance with Condition 9.2 shall be given to the Holders in the manner provided in Condition 10.

- (b) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being:

- (i) for any matter other than to vote on an Extraordinary Resolution, not less than 14 clear days (but without any maximum number of clear days); or
- (ii) for any matter requiring approval by an Extraordinary Resolution, not less than 14 clear days nor more than 42 clear days,

and in either case to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.

- (c) At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the Notes for the time being outstanding so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in Condition 9.4(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in principal amount of the Notes for the time being outstanding.

9.6 ***Right to attend and vote***

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.
- (b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the definition of “**outstanding**”, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- (c) Subject as provided in Condition 9.6(b), at any meeting:
 - (i) on a show of hands every Eligible Person present shall have one vote; and
 - (ii) on a poll every Eligible Person present shall have one vote in respect of each Note.

9.7 ***Holding of meetings***

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the principal amount of the Notes held by him), a declaration by the Chairman that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- (c) Subject to Condition 9.7(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairman may direct

and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as of the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

- (d) The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.

9.8 *Approval of the resolutions*

- (a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 10 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (b) The expression “**Extraordinary Resolution**” when used in this Condition 9 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9 by a majority consisting of not less than 75% of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75% of the votes given on the poll.

A meeting of the Holders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to the quorum contained in Conditions 9.4(b) and 9.4(c)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
- (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the Notes or otherwise;
- (iii) power to agree to any modification of the provisions contained in these Conditions or the Notes which is proposed by the Bank;
- (iv) power to give any authority or approval which under the provisions of this Condition 9 or the Notes is required to be given by Extraordinary Resolution;
- (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;
- (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the Notes;

- (c) Subject to Condition 9.8(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.
- (d) The agreement or approval of the Holders shall not be required in the case of any Benchmark Amendments determined pursuant to Condition 3.7(d).

9.9 *Miscellaneous*

- (a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.
- (b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (c) Any modification or waiver of the Conditions in accordance with this Condition 9 will be effected in accordance with the Applicable Banking Regulations and conditional upon any prior approval from the Competent Authority, to the extent required thereunder.

10 Notices

The Bank shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Notes are for the time being listed and/or admitted to trading.

So long as the Notes are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public through a relevant event announcement (*hecho relevante*) to be filed with the CNMV and to be published on the CNMV's website at www.cnmv.es and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bank may approve.

In addition, so long as the Notes are represented by book-entries in Iberclear, all notices to Holders shall be made through Iberclear for on transmission to their respective accountholders.

11 Further Issues

The Bank may from time to time without the consent of the Holders, but subject to any Supervisory Permission (if required), create and issue further securities having the same conditions as the Notes in all respects (or in all respects except for the first payment of interest on them) so that such further issue shall be consolidated and form a single series with the outstanding Notes. References in these Conditions to the Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the Notes.

12 Governing Law and Jurisdiction

12.1 *Governing Law*

The Notes and any non-contractual obligations arising out of or in connection with the Notes shall be governed by, and construed in accordance with, Spanish law.

12.2 *Jurisdiction*

The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of the city of Madrid, Spain are to have jurisdiction to settle any disputes which may arise out of or in connection with the Notes (including a dispute relating to any non-contractual obligations arising out of or in connection with the Notes) and that accordingly any suit, action or proceedings arising out of or in connection with the Notes (together referred to as “**Proceedings**”) may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the bringing of any Proceedings before the courts of the city of Madrid, Spain. To the extent permitted by law, nothing contained in this Condition 12 shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

13 Waiver of Set-off

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Bank in respect of, or arising under or in connection with the Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any Note but for this Condition.

14 Definitions

In these Conditions:

“**5-year Mid-Swap Rate**” means, in relation to the Reset Period:

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of five years, expressed as a percentage, which appears on the relevant Screen Page under the heading “EURIBOR BASIS – EUR” and above the caption “11AM FRANKFURT” as of 11.00 am (CET) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the Reset Reference Bank Rate on the Reset Determination Date, unless a Benchmark Event has occurred, in which case the 5-year Mid-Swap Rate shall be determined pursuant to Condition 3.7;

“5-year Mid-Swap Rate Quotations” means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360-day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (a) has a term of five years commencing on the Reset Date; and
- (b) is in a Representative Amount,

where the floating leg (calculated on an Actual/360-day count basis) is equivalent to EURIBOR 6-month or, if not available, such other benchmark, rate and/or day count fraction as is in customary market usage in the markets for such euro interest rate swap transactions at the relevant time;

“Additional Tier 1 Instrument” means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 92.2º of the Insolvency Law constituting an additional tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3º(c) of Law 11/2015;

“Adjustment Spread” means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Holders as a result of the replacement of the 5-year Mid-Swap Rate with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (a) in the case of a Successor Rate, is formally recommended in relation to the replacement of the 5-year Mid-Swap Rate with the Successor Rate by any Relevant Nominating Body; or
- (b) if no such recommendation has been made, or in the case of an Alternative Rate, the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions or is in customary market usage in the debt capital markets for transactions which reference the 5-year Mid-Swap Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (c) if no such industry standard is recognised or acknowledged, the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines to be appropriate;

“AIAF” means the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija, S.A.*);

“Alternative Rate” means an alternative benchmark or screen rate which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser, as applicable, determines in accordance with Condition 3.7(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in euro;

“Applicable Banking Regulations” means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank and the Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those regulations, requirements, guidelines and policies of the Competent Authority relating to capital adequacy, resolution and/or

solvency then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and the Group) (in all cases, as amended or replaced from time to time);

“Authorised Signatory” means any authorised officer of the Bank;

“Bank” means Unicaja Banco, S.A.;

“Bank’s Certificate” means a certificate signed by two Authorised Signatories of the Bank stating that, in the opinion of the Bank, (i) the changes determined pursuant to a substitution or variation of the Notes under Condition 4.6 will result in the Qualifying Tier 2 Notes having terms not materially less favourable to the Holders than the terms of the Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Notes and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

“Benchmark Amendments” has the meaning given to it in Condition 3.7(d);

“Benchmark Event” means:

- (a) the 5-year Mid-Swap Rate ceasing to be published for a period of at least 10 Business Days or ceasing to exist; or
- (b) a public statement by the administrator of the 5-year Mid-Swap Rate that it has ceased, or will, by a specified date within the following six months, cease publishing the 5-year Mid-Swap Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the 5-year Mid-Swap Rate); or
- (c) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate, that the 5-year Mid-Swap Rate has been or will, by a specified date within the following six months, be permanently or indefinitely discontinued; or
- (d) a public statement by the supervisor of the administrator of the 5-year Mid-Swap Rate that means the 5-year Mid-Swap Rate will be prohibited from being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the Notes, in each case within the following six months; or
- (e) it has become unlawful for the Bank or other party to calculate any payments due to be made to any Holder using the 5-year Mid-Swap Rate;

“BRRD” means Directive 2014/59/EU of 15 May, establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended by Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 and as amended or replaced from time to time, as implemented into Spanish law by Law 11/2015 and Royal Decree 1012/2015, as amended or replaced from time to time, and including any other relevant implementing regulatory provisions;

“Business Day” means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Málaga, Madrid and in London and, if on that day a payment is to be made, a day which is a TARGET Business Day;

“Capital Event” means, at any time on or after the Issue Date, a change (or any pending change which the Competent Authority considers sufficiently certain) in the regulatory classification of the Notes that results (or would be likely to result) in:

- (a) the exclusion of any of the aggregate principal amount of the Notes from the Tier 2 Capital of the Bank or the Group, otherwise than as a result of any applicable limitation on the amount of such capital as applicable to the Bank or the Group as the case may be, including, for the avoidance of doubt, pursuant to the application of Article 64 of CRR; or
- (b) the reclassification of any of the aggregate principal amount of the Notes as a lower quality form of own funds of the Bank or the Group, in accordance with the Applicable Banking Regulations;

“**Certificate**” has the meaning given to it in Condition 1.3;

“**Chairman**” has the meaning given to such term in Condition 9.3;

“**Clearstream Luxembourg**” has the meaning given to such term in Condition 1.2;

“**CNMV**” means the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

“**Code**” has the meaning given to such term in Condition 7;

“**Competent Authority**” means the European Central Bank or the Bank of Spain, as applicable, or such other successor authority having primary bank supervisory authority with respect to prudential oversight and supervision in relation to the Bank and the Group, as applicable;

“**Conditions**” means these conditions of the Notes, as amended from time to time;

“**CRD IV**” means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures (in all cases, as amended or replaced from time to time);

“**CRD IV Directive**” means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended by Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019 and as amended or replaced from time to time;

“**CRD IV Implementing Measures**” means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Bank and the Group, as applicable, including, without limitation, Law 10/2014, as amended from time to time, Royal Decree 84/2015, as amended from time to time, and any other regulation, circular or guidelines implementing CRD IV;

“**CRR**” means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 and as amended or replaced from time to time;

“**€**” or “**euro**” means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

“**Eligible Persons**” means those Holders or persons (being duly appointed proxies or representatives of such Holders) that are entitled to attend and vote at a meeting of the Holders, for the purposes of which no person shall be entitled to vote at any such meeting in respect of Notes held by or for the benefit, or on behalf, of the Bank or any of its Subsidiaries;

“EURIBOR 6-month” means:

- (a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as of 11.00 am (CET) on the Reset Determination Date for the Reset Period; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates at which deposits in euros are offered by four major banks in the Eurozone interbank market, as selected by the Bank, at such time on the Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on the Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

“Euroclear” has the meaning given to such term in Condition 1.2;

“Extraordinary Resolution” has the meaning given to such term in Condition 9;

“FATCA” has the meaning given to such term in Condition 7;

“Group” means the Bank together with its consolidated Subsidiaries;

“Holder” has the meaning given to it in Condition 1.3;

“Iberclear” means the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*, the Spanish Central Securities Depository, which manages the Spanish Central Registry and the Spanish settlement system;

“Iberclear Member” means each participating entity (*entidad participante*) in Iberclear;

“Independent Financial Adviser” means an independent financial firm or financial adviser with appropriate expertise or financial institution of international repute appointed by the Bank at its own expense;

“Independent Financial Adviser Certificate” means a certificate signed by a representative of an Independent Financial Adviser stating that, in the opinion of such Independent Financial Adviser, (i) the changes determined by the Bank pursuant to a substitution or variation of the Notes under Condition 4.6 will result in the Qualifying Tier 2 Notes having terms not materially less favourable to the Holders than the terms of the Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Tier 2 Notes and these Conditions are only those strictly necessary to (a) in the case of a Capital Event, comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

“Initial Fixed Interest Rate” has the meaning given to it in Condition 3.3;

“Initial Fixed Rate Interest Period” means the period from (and including) the Issue Date to (but excluding) the Reset Date;

“Insolvency Law” means Law 22/2003, of 9 July, on Insolvency (*Ley 22/2003, de 9 de julio, Concursal*), as amended from time to time;

“Interest Payment Date” means (i) in respect of the period from the Issue Date to (and including) the Reset Date, 13 November in each year, starting on (and including) 13 November 2020 and (ii) after the Reset Date, 13 November in each year, starting on (and including) 13 November 2025;

“Interest Period” means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

“**Interest Rate**” means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

“**Issue Date**” means 13 November 2019, being the date of the initial issue of the Notes;

“**Law 10/2014**” means Law 10/2014, of 26 June on the organisation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

“**Law 11/2015**” means Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended from time to time;

“**Margin**” means 3.107 per cent.;

“**Notes**” means the €300,000,000 Fixed Rate Reset Subordinated Notes due 13 November 2029 issued by the Bank on the Issue Date;

“**outstanding**” means, in relation to the Notes, all the Notes issued other than those Notes (a) that have been redeemed pursuant to Condition 4.3, 4.4, 4.5 or otherwise pursuant to the Conditions; (b) that have been purchased (or acquired) pursuant to Condition 4.7 and cancelled under Condition 4.8; (c) that have been substituted pursuant to Condition 4.6 and cancelled under Condition 4.8 or (d) that have become void or in respect of which claims have prescribed under Condition 8, provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of Holders; and
- (b) the determination of how many and which Notes are for the time being outstanding for the purposes of Condition 9,

those Notes (if any) which are for the time being held by or for the benefit of the Bank or any of its Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

“**principal amount**” has the meaning given to this term in Condition 1.1;

“**Proceedings**” has the meaning given to this term in Condition 12.2;

“**Qualifying Tier 2 Notes**” means any securities issued directly or indirectly by the Bank where such securities:

- (a) have terms not materially less favourable to the Holders than the terms of the Notes with any differences between their terms and conditions and these Conditions being those strictly necessary to (in the case of a Capital Event) comply with the requirements of the Competent Authority in relation to Tier 2 Capital in accordance with the Applicable Banking Regulations and/or (in the case of a Tax Event) cure the relevant Tax Event (provided that the Bank shall have obtained a Bank's Certificate and an Independent Financial Adviser Certificate (copies thereof will be available at the Bank's registered office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant securities); and
- (b) subject to (a) above, shall (1) rank at least equal to the ranking of the Notes, (2) have the same currency, the same (or higher) Interest Rate and the same Interest Payment Dates as those from time to time applying to the Notes, (3) have the same redemption rights as the Notes; (4) comply with the then current requirements of Applicable Banking Regulations in relation to Tier 2 Capital; (5) preserve any existing rights under the Notes to any accrued interest or other amounts which have not been paid, and (6) are assigned (or maintain) at least the same solicited credit ratings as were assigned to the Notes immediately prior to such variation or substitution, and (7) shall not at such time be subject to a Capital Event or a Tax Event; and

- (c) are (i) listed and admitted to trading on AIAF or (ii) listed on a Recognised Stock Exchange, if the Notes were listed immediately prior to such variation or substitution;

“Rating Agency” means any of Standard & Poor's Rating Services, Moody's Investor Services, Fitch Ratings Ltd or DBRS Ratings Limited or their respective successors;

“Recognised Stock Exchange” means a regulated, regularly operating, recognised stock exchange or securities market in an OECD member state;

“Reference Banks” means five leading swap dealers in the principal interbank market relating to euro selected by the Bank;

“Relevant Date” means in respect of any payment, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made;

“Relevant Nominating Body” means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

“Relevant Resolution Authority” means the *Fondo de Resolución Ordenada Bancaria* (FROB), the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any early intervention measure or any resolution action from time to time;

“Representative Amount” means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

“Reset Date” means 13 November 2024;

“Reset Determination Date” means, in respect of the Reset Period, the day falling two TARGET Business Days prior to the first day of such Reset Period;

“Reset Period” means the period from and including the Reset Date to but excluding 13 November 2029;

“Reset Rate of Interest” has the meaning given to it in Condition 3.4;

“Reset Reference Bank Rate” means, in relation to the Reset Period and the Reset Determination Date, the percentage determined on the basis of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 am (CET) on the Reset Determination Date. The Bank will request the principal offices of each of the Reference Banks to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for the Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be equal to the last available 5 year mid swap rate for euro swap transactions, expressed as an annual rate, on the Screen Page;

“Royal Decree 84/2015” means Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

“Royal Decree 1012/2015” means Royal Decree 1012/2015, of 6 November, developing Law 11/2015 (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de garantía de depósitos de entidades de crédito*), as amended from time to time;

“Screen Page” means the display page on the relevant Reuters information service designated as:

- (a) in the case of the 5-year Mid-Swap Rate, the “ICESWAP2” page; or
- (b) in the case of EURIBOR 6-month, the “EURIBOR01” page;

or in each case such other page as may replace that page on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the 5-year Mid-Swap Rate or EURIBOR 6-month, as applicable;

“Spanish Central Registry” has the meaning given in Condition 1.2;

“SRM Regulation” means Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No 1093/2010 (as amended by Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 and as amended or superseded from time to time);

“Subsidiary” means any entity over which another entity has, directly or indirectly, control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*), Rule 43 of Circular 4/2017, of 27 November, of the Bank of Spain and Applicable Banking Regulations;

“Successor Rate” means a successor to or replacement of the 5-year Mid-Swap Rate which is formally recommended by any Relevant Nominating Body;

“Supervisory Permission” means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Applicable Banking Regulations (if any);

“TARGET Business Day” means a day on which the TARGET System is operating;

“TARGET System” means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto);

“Tax Event” means, at any time on or after the Issue Date, a change in, or amendment to, the laws or regulations of the Kingdom of Spain, or any change in the official application or interpretation of such laws or regulations that results in:

- (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in Spain in respect of any payments of interest in respect of the Notes or the value of such deduction to the Bank being materially reduced; or
- (b) the Bank being obliged to pay additional amounts pursuant to Condition 7; or
- (c) the applicable tax treatment of the Notes being materially affected,

and, in each case, cannot be avoided by the Bank taking reasonable measures available to it;

“Tier 2 Capital” means tier 2 capital (*capital de nivel 2*) in accordance with Chapter 4 (*Tier 2 Capital*) of Title I (*Elements of own funds*) of Part Two (*Own Funds*) of the CRR and/or the Applicable Banking Regulations;

“Tier 2 Instrument” means any contractually subordinated obligation (*créditos subordinados*) of the Bank in accordance with Article 92.2° of the Insolvency Law constituting a tier 2 instrument (*instrumento de capital de nivel 2*) in accordance with the Applicable Banking Regulations and as referred to under Additional Provision 14.3°(b) of Law 11/2015; and

“Waived Set-Off Rights” means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Note.

USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The estimated net amount of proceeds of the issue of the Notes is €300,000,000 and the Issuer intends to use it for general corporate purposes.

The purpose of the transaction is to continue building the MREL requirement by starting to fill the Tier 2 bucket, as well as to diversify the Bank's investor base and increase the Group's current capital markets presence. As further described in "*Capital, liquidity and funding requirements and loss absorbing powers*", in May 2019, the Bank has been required to reach, by 1 January 2022, an amount of own funds and eligible liabilities on a consolidated basis equal to 8.88% of its consolidated total liabilities and own funds as of 31 December 2017. In this context, and based on the Group's current estimates, the Bank's issuance needs would amount to approximately €1.1 billion which the Bank expects to cover mainly with senior non-preferred debt, with potential issuance of other funding instruments.

DESCRIPTION OF THE ISSUER

History and development

Unicaja Banco is a Spanish public limited company (*sociedad anónima*) incorporated under the laws of Spain with the status of a bank. As a financial institution, the Issuer is also subject to special banking legislation and related regulations in respect of the management, supervision and solvency of credit institutions, in particular, Law 10/2014 and Royal Decree 84/2015, of 13 February, which implements Law 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), and is subject to the supervision, control and regulation of the Bank of Spain (*Banco de España*) and the ECB under the supervision system created by the Single Supervisory Mechanism.

Unicaja Banco is also subject to the Spanish Companies Law (*Texto refundido de la Ley de Sociedades de Capital aprobado por el Real Decreto Legislativo 1/2010, de 2 de julio*) and the Spanish Securities Market Law, Royal Decree 217/2008, of 15 February, on the legal regime for investment services companies and other entities providing investment services (*Real Decreto 217/2008, de 15 de febrero, sobre el régimen jurídico de las empresas de servicios de inversión y de las demás entidades que prestan servicios de inversión*) and further implementing legislation.

The Issuer was incorporated on 1 December 2011 for an indefinite term by means of the public deed executed before the Notary Public of Málaga Mr. Federico Pérez Padilla García, under number 7,088 of his records, and is registered with the Commercial Registry of Málaga, in volume 4952, book 3859, section 8, page no. 111580, sheet 1. In addition, the Issuer is registered with the Register of Banks and Bankers of the Bank of Spain, under number 2103. The Bank's tax identification number is A-93139053 and its LEI code is 5493007SJLLCTM6J6M37.

The legal name of the Issuer is Unicaja Banco, S.A. The Group operates under the commercial name "Unicaja Banco".

The Issuer has its registered office in Avenida de Andalucía 10-12, 29007, Málaga, Spain. Its telephone number is +34952138000 and its corporate website is "www.unicajabanco.com" (the information on the corporate website of the Issuer does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus).

Unicaja Banco's corporate purpose consist of all types of general banking activities, transactions, actions, contracts and services including those that are directly or indirectly related or are supplementary to them provided they are permitted or not prohibited by law. Its corporate purpose also includes the rendering of investment and other auxiliary services, as well as the rendering of insurance agency activities, as an exclusive or associated operator, but not simultaneously.

The history of the Issuer spans over more than 130 years, with the foundation of Caja de Ahorros y Monte de Piedad de Cádiz in 1884 as a starting point. Subsequently, Monte de Piedad y Caja de Ahorros de Almería, Caja de Ahorros y Préstamos de Antequera, Monte de Piedad y Caja de Ahorros de Ronda and Caja de Ahorros Provincial de Málaga were created between 1900 and 1949. Those savings banks were founded with the aim of stimulating the economies of their regions, with a special focus on the agricultural, fishing and tourist sectors as well as retail mortgages. Additionally, they were committed to pursuing social welfare projects aimed at developing their regions. In 1991, Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga y Antequera ("**Unicaja**") was founded as a result of a five-way merger of these Spanish local savings banks.

In the 1990s, while the largest Spanish commercial banks focused on their international expansion, savings banks significantly expanded across the country pursuant to Royal Decree 1582/1988, of 29 December, on expansion of deposit entities (*Real Decreto 1582/1988 de 29 de diciembre, de modificación del Real Decreto*

1370/1985, en materia de expansión de entidades de depósito) which allowed savings banks to open branches beyond their historical home territories. In this context, Unicaja maintained a prudent and focused growth strategy avoiding aggressively entering new markets. In 2010, Caja Provincial de Ahorros de Jaén, the leading entity in its province, merged into Unicaja.

In December 2011, pursuant to the enactment of Royal Decree-Law 11/2010, of 9 July, on governing bodies and other aspects of the legal regime for savings banks (*Real Decreto-ley 11/2010, de 9 de julio, de órganos de gobierno y otros aspectos del régimen jurídico de las cajas de ahorros*), which allowed Spanish savings banks to indirectly conduct financial activities through commercial banks, Unicaja segregated and transferred all of its banking activities to a newly-created public limited company (*sociedad anónima*) named Unicaja Banco, S.A.U.

In October 2014, Unicaja was transformed into a banking foundation (*Fundación Bancaria Unicaja*, the “**Unicaja Banking Foundation**”) pursuant to Law 26/2013, of 27 December, on savings banks and banking foundations (*Ley 26/2013, de 27 de diciembre, de cajas de ahorros y fundaciones bancarias*). Since then, the Unicaja Banking Foundation has been and continues to be the Issuer’s principal shareholder, with a 49.68% shareholding as of the date of this Prospectus. The Unicaja Banking Foundation manages the budget of the Social Welfare Fund (*Obra Social*) activities in Andalucía. Additionally, the Unicaja Banking Foundation holds the rights to the “Unicaja” brand and allows Unicaja Banco the use of such brand. The management of the Unicaja Banking Foundation’s stake in the Group is regulated by the Unicaja Banking Foundation’s Protocol (*Protocolo de gestión de la participación financiera de la Fundación Bancaria Unicaja en Unicaja Banco*) (the “**Unicaja Banking Foundation’s Protocol**”), prepared by the governing body (*Patronato*) of the Unicaja Banking Foundation and approved by the Bank of Spain, which mainly addresses general aims and guidelines, brand utilization, the appointment of the members of the Board of Directors of the Issuer, conflicts of interests and intra-group services.

Merger by absorption of EspañaDuro by Unicaja Banco

On 28 March 2014, Unicaja Banco acquired control of Banco de Caja de España de Inversiones, Salamanca y Soria, S.A. (“**EspañaDuro**”) through an exchange offer of shares, mandatory contingent convertible bonds and perpetual contingent convertible bonds in Unicaja Banco, to be subscribed for by holders of shares and mandatory contingent convertible bonds in EspañaDuro. The acquisition was framed by the term sheet for EspañaDuro’s restructuring plan. The prospectus in relation to the offer was approved by the CNMV on 26 November 2013.

After all the commitments in EspañaDuro’s restructuring plan were fulfilled and, in particular, the repayment, on 31 August 2017, of the assistance received and repayable, on 21 September 2018 the merger by absorption of EspañaDuro by Unicaja Banco took place.

The two structures were then fully integrated and combined, which was the culmination of the process of merging the two institutions which began through the acquisition of EspañaDuro by the Group in 2014.

Admission to trading of Unicaja Banco

In the framework of the bid for EspañaDuro, Unicaja Banco announced its intention to apply for the admission to trading of its ordinary shares to the Madrid, Barcelona, Bilbao and Valencia stock exchanges (the “**Spanish Stock Exchanges**”) and quoted on the Automated Quotation System (*Sistema de Interconexión Bursátil, S.I.B.E.*).

In this context, after the relevant resolutions were adopted and relevant approvals obtained, on 20 June 2017 the Bank reported that, within the bookbuilding process with domestic and international investors, demand for the shares was fully covered (in the initial amount and for the shares corresponding to the green-shoe option).

On 29 June 2017 the Issuer carried out an issue of new shares for a nominal amount of €625 million and the Bank's shares were admitted to trading on the Spanish Stock Exchanges on 30 June 2017.

From the date the shares were admitted to trading on the Spanish Stock Exchanges, and for the following 30 calendar days, Morgan Stanley & Co. International plc, carried out stabilising transactions and on 24 July 2017 the IPO stabilisation agent informed Unicaja Banco that the green-shoe option had been exercised in whole for a total of 62,500,000 shares, representing 10% of the original amount of the offer.

On 25 July 2017, Unicaja Banco carried out the share capital increase corresponding to the green-shoe option granted to the IPO stabilisation agent. As a result, Unicaja Banco has a share capital for a total of €1,610,302,121 divided into 1,610,302,121 registered shares each with a nominal value of one euro.

Recent developments

Agreements for the sale of portfolios of non-performing loans and real estate assets

On 26 July 2019, following a competitive process, the Group sold portfolios of NPLs and real estate assets to different investors in various transactions. The NPLs portfolios consisted of 5,400 mortgage loans, with a gross cost of €389 million, whereas the real estate asset portfolios included 4,100 units, with a gross cost of €560 million.

A framework agreement was entered into for the sale of the portfolios of real estate assets and the commercialization of the units has been entrusted to Gestión de Inmuebles Adquiridos, S.L.U., a subsidiary of the Group.

These transactions are expected to close by the end of 2019 and will reduce non-performing assets (“NPAs”) by €830 million, and will generate pre-tax capital gains of around €17 million, as well as an increase of 40 basis points in the CET1 ratio. The NPL ratio would fall to 4.7%.

As of 31 December 2018, the NPL ratio¹² stood at 6.7%, the NPA coverage ratio¹³ stood at 57.3% and net NPAs over total assets¹⁴ stood at 2.67%.

Sale of the stake in Autopista del Sol, Concesionaria Española, S.A.

On 13 June 2019, the Group sold, subject to the conditions precedent that are usual in these kinds of transactions, all its shares in Autopista del Sol, Concesionaria Española, S.A., to Infratoll Concesiones, S.A.U., a company controlled by Meridiam Infrastructure Europe III S.L.P., for a price of €137.6 million. The stake sold consists of 5,036,898 shares representing 20% of the share capital of Autopista del Sol, Concesionaria Española, S.A. with a positive impact of €112 million net of taxes.

Business overview

The Group carries out its business exclusively in Spain and mainly in the autonomous regions of Andalucía, Castilla y León (together, the “**Home Regions**”), Castilla La Mancha, Madrid and Extremadura. Other areas where the Group is present include the autonomous region of Murcia, the provinces of Alicante, Barcelona, Valencia and the autonomous cities of Ceuta and Melilla.

¹² NPL ratio is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “—Alternative Performance Measures”.

¹³ NPA coverage ratio is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “—Alternative Performance Measures”.

¹⁴ Net NPAs over total assets is an APM, the definition, explanation, use and reconciliation for the years ended 31 December 2018 and 2017 of which are set out in “—Alternative Performance Measures”.

As of 31 December 2018, the Group had total assets of €57.5 billion (€56.3 billion as of 31 December 2017) and was the seventh largest Spanish listed bank by assets (as per Spanish Confederation of Savings Banks (CECA) and Spanish Banks Association (AEB) reported figures).

As of 31 December 2018, the Group served around 2.43 million individuals and 441.7 thousand SMEs, corporate customers and self-employed persons with a primary focus on its Home Regions where the Group is a leading player, with market shares of 9.9% in terms of loans and 12.9% in terms of deposits in Andalucía, and 13.7% in terms of loans and 21.9% in terms of deposits in Castilla y León as of 31 December 2018 (*Source: Bank of Spain and Bank estimates as of 31 December 2018*).

The Group offers a comprehensive range of retail banking products and services, with a special focus on primary residence mortgages, current accounts, term deposits and low-risk off-balance sheet products (mutual funds and life savings).

Operations and activities

Commercial Banking

The Group's commercial banking business provides banking and related financial services to retail customers and corporates. Commercial banking remains the Group's principal line of business, generating the predominant portion of its gross income.

Customers

As of 31 December 2018, the Group had a total of 2.87 million customers, of which 2.43 million (84.6% of total customers) were retail customers (individuals) and 0.44 million (15.4% of total customers) were corporate and business customers. The Group's commercial strategy is based on a segmentation of different types of customers, to whom the Group offers products and services through different distribution channels, with a tailored customer service and value proposal in line with the financial needs that the Group has identified for each customer type.

The Group's customer segmentation is primarily based on the different financial needs of individuals throughout their life cycle as well as their occupation. The following table sets forth certain information in relation to the Group's customer segmentation as of 31 December 2018:

	Number of customers	Weight
	(thousand)	(%)
Retail customers		
Private banking customers	8.0	0.33
Personal banking customers	155.0	6.39
Mass retail customers	2,262.0	93.28
Corporate and business customers		
Large corporates and public administration ⁽¹⁾	6.9	1.56
SMEs ⁽²⁾	57.6	13.02
Self-employed, small businesses and others ⁽³⁾	378.3	85.42

Notes:

- (1) Refers to customers with annual revenues exceeding €60 million (€150 million for Madrid-based customers).
- (2) Refers to customers with annual revenues between €6 million and €60 million (€150 million for Madrid-based customers).
- (3) Refers to customers with annual revenues up to €6 million.

Source: Bank data as of 31 December 2018

The commercial banking business of the Group is customer-centered. The Group's objective is to attract and retain customers, offer increased value and enhanced customer care, bolstered by the segmentation of the Group's customer base and broad distribution network. Within the commercial banking business, the Group has developed a specialized offering for each targeted customer segment.

- *Professional associations*

The Group offers banking and related financial services to a number of selected professional associations. In addition, due to the agreements with such associations, the Group is able to offer products and services to their members that are adapted to their specific needs, thereby attracting new private and personal banking customers.

As of 31 December 2018, the Group had agreements with 81 professional associations with more than 418,000 members, including the Business Association of Andalucía (*Confederación de Empresarios de Andalucía*).

- *Private banking*

The private banking unit of the Group targets individuals with funds under management in excess of €300,000 who have more specialized needs and investor profiles. The Group aims to offer personalized and highly sophisticated banking advice for each account. The Group managed private banking assets amounting to €2,128.0 million as of 31 December 2018.

- *Personal banking*

The personal banking unit of the Group targets individuals who are in a position to fund an account with between €60,000 and €300,000, who are not private banking customers. The Group offers personalized banking advice for each account, specialist support and a wide range of value-added financial products.

As of 31 December 2018, the Group had 155,097 personal banking customers and held approximately €12,422.6 million in deposits and €519.2 million of loans outstanding in connection with the Group's personal banking unit.

- *Corporate banking*

The Group has implemented a service model for corporations and large and medium-sized companies adapted to each segment's financial needs and performance. The key elements of this service model are commercial proactiveness, reliability and operational quality, with the aim of offering comprehensive solutions to such corporate customers. In the interest of fostering greater knowledge of the Group's customers' characteristics, needs and potential, the Group's specialized managers advise customers in accordance with both their size (corporate or large or medium-sized enterprise) and their sector of activity.

The corporate banking unit had 16 account managers as of 31 December 2018. The account managers are responsible for homogeneous segments of the unit's customers, so as to offer customer-specific management and business analysis solutions.

As of 31 December 2018, the Group had 1,746 corporate banking customers and held approximately €6,441.7 million in deposits and €3,993 million of loans outstanding in connection with its corporate banking unit.

- *Enterprise banking*

The enterprise banking unit of the Group offers services comparable to those of the personal banking unit to SMEs, public sector and non-profit institutions, as well as self-employed persons. The Group adapts the services on offer to each type of customer within this category through specialized directors, managers and bankers in order to develop long-term relationships and to provide the customer with more in-depth, specialist knowledge.

As of 31 December 2018, the Group had 442 thousand enterprise banking customers (of which SMEs represented 5.2% and self-employed persons accounted for 93.9%) and held approximately €13,299.6 million in deposits and €11,378.4 million of loans outstanding in connection with its enterprise banking unit.

- *Agricultural banking*

The agricultural banking unit of the Group targets individual farmers and small legal entities that focus on agricultural and agro-food activities, as well as members of agrarian cooperatives and other agrarian associations. This category of customer generally has significant income-generating potential and good credit quality. Additionally, agriculture is an important sector in the Group's Home Regions. As such, agricultural banking is a strategically important part of the Group's business.

Furthermore, as of 31 December 2018, the Group managed more than 53,600 agricultural grants received from the EU, which is equivalent to about 11.3% of the market share in Andalucía and 20.50% in Castilla y León, according to the Spanish Agricultural Guarantee Fund (*Fondo Español de Garantía Agraria*), a department of the Ministry of Agriculture, Fishing and Food (*Ministerio de Agricultura, Pesca y Alimentación*). These grants represent a significant portion of income for the Group's agricultural banking customers.

In order to provide customers with specialized solutions to support and develop their business in rural areas, the Group's specialist managers develop relationships and work closely with these customers. As

of 31 December 2018, the agricultural banking unit had 80,199 customers and held approximately €1,624.2 million in deposits and €1,354.0 million of outstanding loans.

- *International banking*

The international banking unit of the Group specializes in customers that have cross-border needs. The Group's managers and bankers are qualified in international business and seek to help Spanish businesses expand their businesses abroad. Working in this capacity, the Group provides management and advisory services to more than 7,500 customers.

As of 31 December 2018, the Group had one representative office in London to help service the international banking customers.

Banking products

The Group offers a broad range of banking financial products and services, including mortgage loans, personal loans and deposits.

- *Mortgage loans*

The Group offers a variety of solutions to customers who wish to finance the purchase of property with a secured mortgage. The Group offers mortgage products that are tailored to the Group's individual customers' circumstances and requirements, including fixed rate, floating rate and mixed rate mortgage loans. The Group differentiates between mortgage loans based on the maturity period as well as the type of property being mortgaged. The mortgage loans the Group offers are subject to specific conditions, including the condition that the sum of the age of the customer and the maturity period of the loan cannot be higher than 70 years.

- *Personal loans*

The Group offers personal loan products to qualifying customers that are typically for an amount (for retail customers) of €42,000 or less with a term of 8 or fewer years. The terms and interest provisions of the Group's personal loan products are specifically tailored to each individual customer's circumstances and the specific need that the loan addresses, including whether it is a household need or the personal financing of a business.

- *Secured loans*

Secured loans are based on a security interest, whereby the loan is guaranteed by cash, valuables or assets other than real property. The terms and interest provisions of secured loans depend on the type of the security interest, the amount of the loan and the term of the loan. The typical term for these operations is up to three years.

- *Credit facilities*

The Group provides credit facility products to companies who wish to have access to short-term liquidity and pay interest on the basis of available capital. The Group tailors the credit facility products to the Group's customers' business needs, which vary based on the customers' particular industry. The typical term for these transactions is up to one year, with the possibility of renewal in certain cases.

- *Other specialized corporate products*

The Group offers other corporate products such as discounting facilities and certificates. In addition, the Group offers confirming, leasing, renting and factoring services (these last two are provided by third-party companies with which we have agreements).

- *Current and savings accounts*

The Group offers a broad range of current account products to the Group's customers that feature, among other things, automated cash machine ("ATM") access, checks, connected debit and credit card transactions, cash transfer and direct debit options. The deposits, in euro or other currencies, are flexible and immediately available.

- *Term deposits*

These deposits, in euro or other currencies and made for a determined term, offer an interest-based income that varies depending on the term. The amount of the deposit together with the term, which can be from one day to five years or longer, affects the amount of interest received by the customer on the deposit. The income can be constituted in different ways, including at a growing interest rate, early interest, payment at the end of the term or connected to certain market indices. The customer can choose whether to manage the transaction in one of our branches or over the internet.

Distribution channels

The branch network of the Group provides the foundation for its commercial banking business. The Group has also developed a range of alternate distribution channels to improve its customer service and increase efficiency.

- *Branch network*

The Group's branch network is the core of the commercial banking business. The Group offers a full range of services through the branch network. As of 31 December 2018, the Group had 1,153 branches in 38 Spanish provinces, in two autonomous cities (Ceuta and Melilla) and one representative office in London. 83% of the Group's branches are located in the Home Regions.

The geographical distribution of the Group's branches as of 31 December 2018 and 2017 was as follows:

	31 December			
	2018		2017	
	Number	%	Number	%
Andalusia	544	47.1%	584	47.6%
Aragon.....	1	0.1%	1	0.1%
Principality of Asturias	3	0.3%	3	0.2%
Cantabria	1	0.1%	1	0.1%
Castile and Leon.....	415	36.0%	419	34.1%
Castile La Mancha.....	53	4.6%	66	5.4%
Catalonia	1	0.1%	2	0.2%
Ceuta	1	0.1%	1	0.1%
Valencian Community	2	0.2%	4	0.3%
Extremadura	52	4.5%	52	4.2%
Galicia	6	0.5%	6	0.5%
La Rioja.....	1	0.1%	1	0.1%
Madrid.....	67	5.8%	80	6.5%
Melilla	3	0.3%	3	0.2%
Murcia	1	0.1%	2	0.2%
Navarre.....	1	0.1%	1	0.1%
Basque Country	1	0.1%	1	0.1%
Spain.....	1,153	99.9%	1,227	99.9%

	31 December			
	2018		2017	
	Number	%	Number	%
London	1	100.0%	1	100.0%
United Kingdom	1	0.1%	1	0.1%
Total	1,154	0.1%	1,228	0.1%

- *Internet banking*

The Group offers a wide range of online services to the Group's customers through the online and smartphone platforms. Through the Group's internet banking platform, customers can, among other things, access balance information, pay bills and transfer funds.

- *Telephone banking*

The Group also offers to customers the choice to carry out banking transactions over the phone. This includes transferring balances, checking balances and paying bills, all without having to go to a branch.

- *ATMs*

As of 31 December 2018, the Group had 1,462 ATMs in Spain, all of which are part of the "Euro 6000" ATM network. In addition to the normal functions available at ATMs, certain of the Group's ATMs allow customers to buy tickets for shows, pay taxes, transfer money, and recharge pay-as-you-go mobile phone cards amongst other capabilities.

Disintermediation products

The Group offers a variety of disintermediation products such as investment funds, insurance products, pension funds and other transactional services, with the aim of diversifying its business and expanding its customer base. These products are managed mostly by the Bank's subsidiaries and, in certain cases, by third parties.

- *Investment funds*

The Group offers investment fund products of Unigest, S.G.I.I.C., S.A., ("**Unigest**"), the Group's subsidiary, and commercialize third-party products of Imantia Capital, S.G.I.I.C., S.A. ("**Imantia Capital**"). Unigest mainly manages the investment funds and the investment variable capital companies (*sociedades de inversión de capital variable*, SICAVs) that are under the Group's control.

Due to the options available through Unigest and Imantia Capital, the Group offers a wide range of investments which can be adapted to the requirements of each customer. The Group offers these services from the Bank's branches, but the complementary, recurrent activities such as consulting investment funds and other operations can be carried out through the Group's internet and telephone banking platforms.

The Group's mutual funds market share by off-balance sheet customer funds was 2.10% as of 31 December 2018 (*Source: Inverco*).

- *Insurance products and pension funds*

The Group offers insurance products that are adjusted to the particular conditions of each customer, with a range of alternative possibilities to cover various circumstances that may affect them personally, their property or their employment.

The insurance business operates through two channels (i) insurance companies (the Group has a relevant stake in two life insurance and pension funds companies (Unicorp Vida and Unión del Duero Vida)); and (ii) insurance distribution.

The Group had €3.96 billion in savings insurance funds in the year ended 31 December 2018 (€3.43 billion in the year ended 31 December 2017).

In September 2017, the long-term partnership for the development, joint marketing and distribution under the bancassurance regime in Spain of life insurance and pension plans of Unicorp Vida through the network of Unicaja Banco terminated. In June 2018, the alliance between Santalucía and Unicaja Banco was extended and the insurance company signed a new exclusivity agreement with Unicaja Banco's bancassurance operator (Unimediación, S.L. ("**Unimediación**")) for death insurance products.

With regards to general or non-life insurance products, Unicaja Banco and Unimediación have signed an exclusive agreement with Caser Grupo Asegurador for the marketing of the following types of insurance: multi-risk home, businesses, communities and SMEs, payment protection (IT-Unemployment), automobiles, health care (health and dental), construction, civil liability and agricultural insurance.

- *Services*

The Group offers a range of additional transactional services including:

- Cards: the number of cards issued by the Group was 1.7 million (of which 67.1% debit cards and 32.9% credit cards) as of 31 December 2018 (1.8 million of which 64.0% debit cards and 36.0% credit cards as of 31 December 2017). As far as technology is concerned, the basic pack (debit and credit) is Contactless, so it uses contactless technology as well as EMV chip and magnetic stripe.

The Group also offers safe remote payments, through the electronic banking services "Univía" and mobile services "UnicajaMóvil" and "UniPay Bizum" app.

- Point of Sale Terminals ("POS"): the Group's current offering in POS, with both fixed (ADSL) and wireless (Bluetooth technology and GPRS) units, adapts to the different needs of shops and businesses. Advances in technology have enabled the Group to integrate new functionalities in POS, such as contactless payment or the option for foreign customers using the Group's POS to pay in their home currency. Furthermore, the Group has a virtual POS which offers solutions to those of the Group's customers who offer products and services online.
- Securities: this consists of the execution of the sale and purchase transactions of listed securities on behalf of the Group's customers both in domestic and international markets and across different fixed and variable income products.
- Payrolls, pensions and benefits: those of the Group's customers with payrolls and pensions directly credited to their savings account enjoy several financial and non-financial benefits in products and services, which are included in the Group's "Servicio Nómina" and "Privilegios Clubseis" programs. The "Plan Cero Comisiones" allows customers to avoid standard banking fees (account maintenance, transfers and checks) under certain conditions, and to benefit from premium conditions in financial products (loans and deposits with preferential interest rates, salary and pension advances at 0% interest rate, overdraft of €300 for directly-credited payrolls and advances at ATMs for the withdrawal of pensions).

Equity investments

The main focus of this division is the control, management and administration of the relationships between the Issuer and the privately held companies in which it holds a stake, with the aim of obtaining the maximum level of contribution from them to its financial results. Furthermore, the corporate development team also analyses, manages and proposes investments in other businesses to help the growth of the Group.

The Group has, individually or jointly with other investors, invested in relevant Spanish businesses that work in high-growth areas that it believes to have potential for growth and profitability. The Group's portfolio includes investments in businesses that develop new technology, real estate companies, energy networks and generation and infrastructure companies, among others.

Real estate

The management team is responsible for the management of the real estate of the Group and provides support for the Group's other entities in the administration of real estate assets.

Unicaja Gestión de Activos Inmobiliarios, S.A.U., a subsidiary of Unicaja Banco, has the following corporate purpose: (i) it manages and divests the assets transferred to it as required by law; (ii) it acquires, disposes of, manages and operates an array of real estate assets, including estates, buildings, housing and real estate in general, no matter its use; (iii) it has activities related to urbanization, demolition and construction of buildings, whether directly or through a contracted third party, and any other kind of involvement in the real estate market, through providing services or managing real estate assets, belonging to the Group or third parties; and (iv) it carries out the study, development and comprehensive development of all types of property and projects. Unicaja Gestión de Activos Inmobiliarios, S.A.U. owns 100% of the shares in Gestión de Inmuebles Adquiridos, S.L.U.

Board of Directors and Senior Management

Board of Directors

The table below sets forth, as of the date of this Prospectus, the names of the members of the Board of Directors of the Issuer, their positions within the Board and their membership type:

Name	Position	Type of director
Mr. Manuel Azuaga Moreno	Chairperson	Executive
Mr. Ángel Rodríguez de Gracia	Executive Director	Executive
Mr. Juan Fraile Cantón	Vice-Chairperson	Proprietary ⁽¹⁾
Mr. Victorio Valle Sánchez	Vice-Chairperson	Independent
Ms. Isabel Martín Castellá	Director	Independent ⁽²⁾
Ms. Ana Bolado Valle	Director	Independent
Mr. Manuel Conthe Gutiérrez	Director	Independent
Ms. Petra Mateos-Aparicio Morales	Director	Proprietary ⁽¹⁾
Mr. Agustín Molina Morales	Director	Proprietary ⁽¹⁾
Mr. Manuel Muela Martín-Buitrago	Director	Proprietary ⁽¹⁾
Ms. Teresa Sáez Ponte	Secretary (Director)	Proprietary ⁽¹⁾

Notes:

(1) Shareholder represented: Fundación Bancaria Unicaja.

Name	Position	Type of director
(2)	Lead Director (<i>Consejera Coordinadora</i>) with the power to request the call of the Board of Directors or the inclusion of new items on the agenda of a meeting already called; to chair the Board of Directors in the absence of the Chairperson and Vice-Chairpersons; to coordinate and meet with the non-executive directors and to be aware of their concerns; to direct, if applicable, the periodic assessment of the Board Chairperson; to coordinate the Chairperson succession plan; and to keep contact with investors and shareholders to know their points of view so as to have an opinion on their concerns, in particular, with regard to the Bank corporate governance.	

At the date of this Prospectus, the Board of Directors is temporarily composed of 11 members due to the resignation of the independent director Ms. María Antonia Otero Quintas, whose position is yet to be filled.

Mr. Vicente Orti Gisbert acts as Vice-Secretary (non-Director) of the Board of Directors.

The business address of each member of the Board of Directors is Avenida de Andalucía, nº 10-12, 29007 Málaga, Spain.

The table below sets forth the names of those members of the Board of Directors of the Issuer with activities performed outside the Group that are significant with respect to the Issuer as of the date of this Prospectus:

Director	Company	Title
Mr. Manuel Azuaga Moreno	Cecabank, S.A.	Chairperson of the Board of Directors
	CECA	Director
Mr. Ángel Rodríguez de Gracia	Hidralia, Gestión Integral de Aguas de Andalucía, S.A.	Director
Ms. Isabel Martín Castellá	Sacyr, S.A.	Director
	Bolsas y Mercados Españoles, S.A.	Director
	GED Infraestructure SGEIC, S.A.	Director
Ms. Ana Bolado Valle	Fellow Funders Advisory Board	Member
	Parques Reunidos Servicios Centrales, S.A.	Director
	Metrovacesa, S.A.	Director
	Inmobiliaria Colonial SOCIMI, S.A.	Director
Mr. Manuel Conthe Gutiérrez	Expansión	Chairperson of the Advisory Board and columnist
	Indexa Capital	Member of the Advisory Board
Ms. Petra Mateos-Aparicio Morales	Ghesa, Ingeniería y Tecnología, S.A.	Director
	Técnicas Reunidas, S.A.	Director
	Cámara de Comercio España-EEUU	Vice-Chairperson
Mr. Manuel Muela Martín-Buitrago	Caja de Seguros Reunidos, Compañía de Seguros y Reaseguros, S.A.	Director

Board Committees

In compliance with the bylaws of the Issuer and the Regulations of the Board of Directors, the Board of Directors has five support committees (jointly referred to as the “**Support Committees**”): an appointments committee (the “**Appointments Committee**”), a remuneration committee (the “**Remuneration Committee**”), a risk committee (the “**Risk Committee**”), an audit and regulatory compliance committee (the “**Audit and Regulatory Compliance Committee**”) and a technology and innovation committee (the “**Technology and Innovation Committee**”). The Support Committees are governed by the bylaws of the Issuer and the Regulations of the Board of Directors, to which they conform.

Appointments Committee

The primary purpose of this committee is to report and propose on the appointment and removal of the directors and senior managers. In particular, the Appointments Committee will be responsible for, among other things, the following:

- assessing the competencies, diversity, balance of knowledge and experience required on the Board of Directors. For those purposes, it will define the functions and skills to be fulfilled by the candidates to cover each vacancy, and will assess the dedication required for proper performance of their duties;
- identifying and recommending, via the relevant report, in the case of executive and proprietary directors, or proposing, in the case of independent Directors, candidates to cover the vacancies on the Board of Directors, with a view to approval by the Board of Directors or by the General Shareholders’ Meeting;
- assessing regularly, and at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations to it regarding possible changes;
- assessing regularly, and at least once a year, the suitability of the different members of the Board of Directors and of the board as a whole, and to report to the Board of Directors accordingly;
- ensuring that non-executive Directors have enough time availability for proper performance of their functions;
- reporting on proposed appointments and separation of Senior Officers, as well as the basic terms of their contracts;
- considering and organizing the succession of the Chairperson of the Board of Directors and, if applicable, of the Bank’s Chief Executive, making proposals to the Board of Directors so that succession takes place orderly and as planned;
- annually reviewing compliance with the policy for the selection of Directors and reporting on that in the Annual Corporate Governance Report;
- regularly reviewing the Board of Directors’ policy on the selection and appointment of Senior Officers and making related recommendations;
- establishing a target for the less-represented gender on the Board of Directors and developing guidance on how to achieve that target;
- reporting on the appointments of the vice-chair of the Board of Directors, of the Chief Executive Officer, the Lead Director and the Committee Chairs; and
- reporting on the appointment and cessation of the Secretary and Vice-secretary of the Board of Directors.

As of the date of this Prospectus, the members of the Appointments Committee are as follows:

Name	Position	Type of director
Ms. Ana Bolado Valle	Chairperson	Independent
Mr. Victorio Valle Sánchez	Member	Independent
Mr. Juan Fraile Cantón	Member	Proprietary
Mr. Manuel Muela Martín-Buitrago	Secretary (Member)	Proprietary

The vacancy arising from the resignation of the independent director Ms. María Antonia Otero Quintas is to be filled.

Remuneration Committee

The primary purpose of this committee is to report and make proposals on remuneration policy. In particular, the Remuneration Committee will be responsible for, among other things, the following:

- overseeing compliance with the remuneration policy established by the Bank;
- preparing the decisions related to remuneration, including those having an effect on the Bank's risk and risk management, to be adopted by the Board of Directors;
- proposing to the Board of Directors the remuneration policy for Board Members and Senior Officers, as well as the individual remuneration and other contractual conditions of the Executive Directors and Senior Officers, and to arrange for their observance;
- preparing a specific report accompanying the remuneration policy proposal for the Board of Directors;
- regularly reviewing the remuneration policy applied to Directors and Senior Officers, including share-based remuneration schemes and their application, as well as ensuring that their individual remuneration is proportionate to that of the other Directors and Senior Officers of the Bank;
- ensuring that possible conflicts of interest do not compromise the independence of the external advice provided to the Remuneration Committee; and
- verifying the information on remuneration of Directors and Senior Officers included in the different corporate documents, including the annual report on Directors' remuneration.

As of the date of this Prospectus, the members of the Remuneration Committee are as follows:

Name	Position	Type of director
Mr. Victorio Valle Sánchez	Chairperson	Independent
Ms. Ana Bolado Valle	Member	Independent
Mr. Manuel Conthe Gutiérrez	Member	Independent
Ms. Petra Mateos-Aparicio Morales	Member	Proprietary
Mr. Agustín Molina Morales	Secretary (Member)	Proprietary

Risk Committee

The primary purpose of this committee is risk management. In particular, the Risk Committee will be responsible for, among other things, the following:

- advising the Board of Directors on the global risk appetite, current and future, of the Bank and its strategy in this regard, and to assist the Board of Directors in overseeing the implementation of this strategy;

- ensuring the proper functioning of risk control and management systems and, in particular, the adequate identification, management and quantification of all major risks affecting the Bank;
- ensuring that risk control and management systems properly mitigate risks within the framework of the policy defined by the Board of Directors;
- assessing whether the prices for assets and liabilities offered to customers take full account of the business model and risk strategy of the Bank. If the Risk Committee finds that prices do not reflect risks properly in accordance with the business model and the risk strategy, it will submit a correction plan to the Board of Directors;
- determining, together with the Board of Directors, the nature, amount, format and frequency of the information on risks to be received by the Risk Committee itself and by the Board of Directors;
- collaborating to establish rational remuneration policies and practices. For that purpose, the Risk Committee will assess, without prejudice to the duties of the Remuneration Committee, whether the foreseen incentive policy takes account of risk, capital, liquidity, probability and timing of profits; and
- participating actively in the preparation of the Bank's policy for risk management, seeking for it to identify at least: (a) the different kinds of risks, financial and non-financial (such as operational, technological, legal, social, environmental, political and reputational risks) that the Bank faces, including, among the economic or financial risks, contingent liabilities and other off-balance sheet risks; (b) setting the risk level that the Bank deems acceptable; (c) the measures foreseen to mitigate the impact of the identified risks, should they materialize; and (d) the internal information and control systems which will be used to control and manage the mentioned risks, including contingent liabilities or off-balance sheet risks.

As of the date of this Prospectus the members of the Risk Committee are as follows:

Name	Position	Type of director
Ms. Isabel Martín Castellá	Chairperson	Independent
Ms. Ana Bolado Valle	Member	Independent
Mr. Juan Fraile Cantón	Member	Proprietary
Ms. María Teresa Sáez Ponte	Secretary (Member)	Proprietary

The vacancy arising from the resignation of the independent director Ms. María Antonia Otero Quintas is to be filled.

Audit and Regulatory Compliance Committee

The primary purpose of this committee is to assist the Board of Directors in its task of oversight by reviewing periodically the process of drawing up financial documentation, the internal audit role and the independent nature of the external auditor. In particular, the Audit and Regulatory Compliance Committee will be responsible for, among other things, the following:

- (i) With regard to information and internal control systems:
 - continuously overseeing the preparation and presentation process and the integrity of financial information related to the Bank and its Group;

- overseeing compliance with regulatory requirements, appropriate demarcation of the scope of consolidation and proper application of accounting criteria, submitting, if any, recommendations or proposals to the Board of Directors, aimed at safeguarding the integrity of financial information;
 - overseeing, analysing and discussing with the Senior Management, with the internal auditor or with the statutory auditor, the financial information that the Bank must disclose periodically or must submit to supervisory or regulatory bodies;
 - overseeing the effectiveness of the “internal system for the control of financial information” (*Sistema de Control Interno de la Información Financiera*);
 - overseeing the operation of the mechanism (*Canal de Cumplimiento*) allowing the employees to report confidentially, among others, the irregularities of potential transcendence - especially related to rules of conduct, financial and accounting - that they notice within the Bank, and to propose the appropriate actions to improve its operation and to reduce the risk of eventual irregularities in the future;
 - ensuring that the financial information published on the Bank’s corporate website is permanently updated and matches that prepared by the Board of Directors and published, when so required, on the website of the CNMV;
 - previously briefing the Board of Directors on all matters stated in the law, the bylaws, the Regulations of the Board of Directors or in the Audit and Regulatory Compliance Committee regulations, and, especially, on the financial information that the Bank must disclose regularly, on the creation or acquisition of stakes in special purpose vehicles or vehicles registered in countries or territories considered as tax havens; and
 - maintaining, through its Chair, an ongoing dialogue with the head of the financial information function.
- (ii) With regard to the internal auditor:
- ensuring the independence of the unit that performs the internal audit function; proposing the selection, appointment, re-election and cessation of the head of the internal audit service; ensuring that the profiles of the internal audit staff are suitable and they are able to carry out their job with objectivity and independence;
 - assessing and annually approving the action plan for the internal audit function; and
 - verifying that the Senior Management takes into account the conclusions and recommendations in its reports.
- (iii) With regard to the statutory auditor:
- submitting to the Board of Directors, for submission to the General Shareholders’ Meeting, proposals for the selection, appointment, re-election and replacement of the statutory auditor;
 - defining a procedure for the selection of the statutory auditor, specifying the criteria or parameters to assess;
 - building the appropriate relationships with the statutory auditor to receive information on aspects which may threaten the auditor’s independence and on any others related to the development of the audit process, and, when applicable, authorising services other than those prohibited, in the terms provided for in applicable regulations, as well as receiving other communications pursuant to audit regulations;
 - issuing, annually, prior to the issuance of the audit report, a report expressing an opinion on whether the independence of the statutory auditor is compromised;

- in case of resignation of the statutory auditor, to examine the circumstances that may have caused it;
 - checking that the remuneration of the statutory auditor does not compromise its quality or its independence;
 - discussing with the statutory auditor any significant weaknesses in the internal control system detected in the audit, without compromising its independence and submitting, in any case, recommendations or proposals to the Board of Directors and the corresponding period of monitoring;
 - ensuring that the statutory auditor holds an annual meeting with the full Board of Directors to report on the work carried out and on the situation of the Bank's accounts and risks;
 - ensuring that the Bank and the statutory auditor respect applicable regulations on the provision of services other than audit services, the limits to concentration of business in the auditor and, in general, all other regulations on auditors' independence.
- (iv) With regard to compliance with corporate governance rules:
- overseeing compliance with the internal codes of conduct and with the Bank's corporate governance rules;
 - overseeing the communication and shareholder and investor relations strategy, including small and medium shareholders;
 - regularly assessing the suitability of the Bank's corporate governance system;
 - reviewing the Bank's corporate social responsibility policy, arranging for it to be focused on the creation of value;
 - monitoring the corporate social responsibility strategy and practices, and assessing its degree of achievement;
 - overviewing and assessing the processes of relations with the different stakeholders;
 - assessing all those matters related to the Bank's non-financial risks –including operational, technological, legal, social, environmental, political and reputational risks;
 - coordinating the process of reporting non-financial information and information on diversity, according to the applicable regulations and to the international standards of reference; and
 - previously reporting to the Board of Directors on those transactions that the Bank carries out with Directors, Senior Officers or significant shareholders or shareholders represented at the Board, or with persons related to them (“related party transactions”), in accordance with the provisions of the applicable regulations, of the Bylaws, the Regulations of the Board of Directors and of the “Policy for the identification and management of conflicts of interest and related party transactions of directors, significant shareholders and senior officers”.
- (v) With regard to regulatory compliance:
- ensuring compliance with the applicable regulations, national or international, on matters related to money laundering prevention, conduct in securities markets, personal data protection and criminal risk prevention, among others, carrying out a monitoring of the main legal risks applicable to the Bank in those matters under its remit;

- knowing the degree of regulatory compliance by the different units and departments of the Bank, as well as the correcting measures recommended by the internal audit in previous actions, reporting to the Board of Directors in those cases which may entail a significant risk for the Bank;
 - reviewing the drafts of ethical and conduct codes and its respective amendments which may have been drawn up, and to issue an opinion before submitting the proposals to the Board of Directors;
 - overseeing compliance with the Internal Code of Conduct in Securities Market and the development of the functions assigned to the Regulatory Compliance Directorate, and being informed of the reports and proposals sent by the said Directorate; and
 - approving the annual work plan of the regulatory compliance function and the report or annual report of activities, receiving periodic information on its activities, replying to the information requests and checking that the Senior Management takes into account the conclusions and recommendations of its reports.
- (vi) With regard to the structural modification and corporate transactions intended to be carried out by the Bank, the Audit and Regulatory Compliance Committee will be informed, for it to analyse these and report to the Board of Directors beforehand, on their economic conditions and accounting impact and, especially, if applicable, on the proposed exchange ratio.

As of the date of this Prospectus, the members of the Audit and Regulatory Compliance Committee are as follows:

Name	Position	Type of director
Mr. Manuel Conthe Gutiérrez	Chairperson	Independent
Ms. Isabel Martín Castellá	Member	Independent
Mr. Manuel Muela Martín-Buitrago	Member	Proprietary
Mr. Victorio Valle Sánchez	Member	Independent
Ms. Petra Mateos-Aparicio Morales	Secretary (Member)	Proprietary

Technology and Innovation Committee

The primary purpose of this committee is to assist the Board of Directors in making decisions that affect technology, management of information and data and the Issuer's telecommunications structures, reporting on strategic plans and actions and submitting the appropriate proposals. In particular, the Technology and Innovation Committee will be responsible for, among other things, the following:

- overseeing the optimization of technological support for processing information and the development of systems and applications, ensuring their smooth running and data security;
- monitoring the process of technological transformation of the Bank, paying special attention to its impact on the business model;
- monitoring technological risk in general;
- ensuring the identification of potential channels for innovation existing in the Bank, as well as overseeing and monitoring innovation initiatives which have an impact on the business model; and
- providing the assistance that may be required, within the framework of their respective competences, by the Audit and Regulatory Compliance Committee and by the Risk Committee, and to act in coordination with both Committees to the extent that may be necessary within its own remit.

As of the date of this Prospectus the members of the Technology and Innovation Committee are as follows:

Name	Position	Type of director
Ms. María Teresa Sáez Ponte	Member	Proprietary
Mr. Agustín Molina Morales	Secretary (Member)	Proprietary

The vacancy arising from the resignation of the independent director Ms. María Antonia Otero Quintas is to be filled.

Senior Management

The following table lists the members of the senior management of the Issuer as of the date of this Prospectus:

Name	Position
José Luis Berrendero Bermúdez de Castro	Business (General Manager)
José Manuel Domínguez Martínez	General & Technical Secretariat (General Manager)
Manuel Atencia Robledo	Investees (General Manager)
José M ^a de la Vega Carnicero	Organization, Operations and Services (General Manager)
M ^a Luisa Lombardero Barceló	Corporate Development (Deputy General Manager)
Francisco Javier Pérez Gavilán	Credit Risk
Pablo González Martín	Chief Financial Officer (CFO) (General Manager)
Óscar García Oltra	Transformation and Technology
Isidro Rubiales Gil	Control, Strategy and Relations with Supervisors (General Manager)
Jesús Navarro Martín	Internal Audit
Cédric Blanchetière	Chief Risk Officer (CRO)
Vicente Orti Gisbert	Legal
Galo Juan Sastre Corchado	Regulatory Compliance Manager

There are no members of the senior management of the Issuer with activities performed outside the Group that are significant with respect to the Issuer as of the date of this Prospectus.

The business address of each member of the senior management of the Issuer mentioned above is Avenida de Andalucía, nº 10-12, 29007 Málaga, Spain.

Conflicts of interest

As of the date of this Prospectus, there are no conflicts of interest between any duties owed to the Issuer by the members of the Board of Directors of the Issuer or members of its senior management and their respective private interests and other duties.

In addition to the measures provided for under applicable regulations, the Issuer has adopted the following measures to avoid conflicts of interest:

- (i) The Internal Code of Conduct on the Securities Market of the Issuer includes the general policy for the prevention and management of conflicts of interest which could arise between the clients of the Issuer, and between the clients and the Issuer itself.

- (ii) The Regulations of the Board of Directors develop the measures provided for under applicable regulations in connection with conflicts of interest and the policy on identification and management of conflicts of interest and related transactions of directors, significant shareholders and senior managers of the Issuer and the Unicaja Banking Foundation's Protocol implements the relevant provisions of the Regulations of the Board of Directors and, therefore, complements what is set out in the Internal Code of Conduct on the Securities Market.

Organizational structure

The Issuer is the parent company of a consolidated group of credit institutions comprising various companies as dependent, associated and multi-group entities, pursuant to Bank of Spain Circular 4/2017, as amended.

The following table summarizes the subsidiaries of the Group and the Issuer's ownership of such companies as of 31 December 2018:

Name	Business line	Ownership		
		Direct	Indirect	Total
Alqlunia Duero, S.L.U.....	Real estate development	100.00%	0.00%	100.00%
Alteria Corporación Unicaja, S.L.U.	Investment in assets, securities and financial companies	100.00%	0.00%	100.00%
Analistas Económicos de Andalucía, S.L.U.	Study and analysis of economic activity	100.00%	0.00%	100.00%
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement of documents and deeds	0.00%	100.00%	100.00%
Banco Europeo de Finanzas, S.A.U.....	Credit institution	100.00%	0.00%	100.00%
Desarrollos de Proyectos de Castilla y León, S.L.U.	Real estate development	100.00%	0.00%	100.00%
Duero Pensiones, E.G.F.P., S.A.U.....	Pension fund management company	100.00%	0.00%	100.00%
Finanduario Sociedad de Valores, S.A.U.	Stockbroker	100.00%	0.00%	100.00%
Gestión de Actividades y Servicios Empresariales, S.A.U.....	Electronic recording and processing of data and documents	0.00%	100.00%	100.00%
Gestión de Inmuebles Adquiridos, S.L.U.	Real estate development	0.00%	100.00%	100.00%
Inmobiliaria Acinipo, S.L.U.	Real estate development	100.00%	0.00%	100.00%
Inmobiliaria Uniex Sur, S.L.U.....	Real estate development	0.00%	100.00%	100.00%
La Algara Sociedad de Gestión, S.L.U.	Real estate development	0.00%	100.00%	100.00%
Parque Industrial Humilladero, S.L.	Development of industrial land	0.00%	88.61%	88.61%
Pinares del Sur, S.L.U.	Real estate development	0.00%	100.00%	100.00%
Propco Blue 1, S.L.U.....	Real estate development	0.00%	100.00%	100.00%
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance broker	0.00%	100.00%	100.00%
Unicaja Gestión de Activos Inmobiliarios, S.A.U.....	Holding real estate	100.00%	0.00%	100.00%
Unicartera Caja 2, S.L.U.	Promotion or funding of R&D in the field of medicine	100.00%	0.00%	100.00%
Unicartera Gestión de Activos, S.L.U.	Recovery procedures and management of disputes	0.00%	100.00%	100.00%
Unicartera Internacional, S.L.U.....	Investment in assets, securities and financial companies	100.00%	0.00%	100.00%
Unicartera Renta, S.L.U.	Investment in assets, securities and financial companies	100.00%	0.00%	100.00%

Name	Business line	Ownership		
		Direct	Indirect	Total
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth management	0.00%	100.00%	100.00%
Unigest, S.G.I.I.C., S.A.U.	Management of Collective Investment Institutions	44.59%	55.41%	100.00%
Unimediación S.L.U.	Insurance broker	0.00%	100.00%	100.00%
Unimediterráneo de Inversiones, S.L.U.	Investment in assets, securities and financial companies	100.00%	0.00%	100.00%
Unión del Duero Seguros de Vida, S.A.U. ...	Life insurance	100.00%	0.00%	100.00%
Uniwindet, S.L.	Wind power	20.62%	79.38%	100.00%
Viajes Caja España, S.A.	Travel agency	50.00%	0.00%	50.00%
Viproelco, S.A.U.	Real estate development	100.00%	0.00%	100.00%

The following table summarizes the joint business of the Group as of 31 December 2018:

Name	Business line	Ownership		
		Direct	Indirect	Total
Cartera Perseidas. S.L.	Investment in assets, securities and financial companies	45.27%	0.00%	45.27%
Cerro del Baile. S.A.	Real estate development	80.00%	0.00%	80.00%
Dolun Viviendas Sociales. S.L.	Real estate development	0.00%	40.00%	40.00%
Espacio Medina. S.L.	Real estate development	0.00%	30.00%	30.00%
Lares Val de Ebro. S.L.	Real estate development	33.33%	0.00%	33.33%
Madrigal Participaciones. S.A.	Investment in assets, securities and financial companies	75.68%	0.00%	75.68%
Muelle Uno - Puerto de Málaga. S.A.	Real estate development	0.00%	39.74%	39.74%
Rochduero. S.L.	Real estate development	54.09%	0.00%	54.09%
Sociedad de Gestión San Carlos. S.A.	Real estate development	0.00%	53.29%	53.29%

The following table summarizes the associates accounted for using the equity method of the Group and the Issuer's ownership of such companies as of 31 December 2018:

Name	Business line	Ownership		
		Direct	Indirect	Total
Ahorro Andaluz, S.A.	Holding company	42.40%	7.60%	50.00%
Ala Ingeniería y Obras, S.L.	Manufacturing of metal structures	0.00%	26.49%	26.49%
Alestis Aerospace, S.L.	Aerospace industry	12.19%	1.85%	14.04%
Andalucía Económica, S.A.	Publishing, graphic arts and television	23.80%	0.00%	23.80%
Autopista del Guadalmedina Concesionaria Española, S.A.	Highways	30.00%	0.00%	30.00%
Autopista del Sol Concesionaria Española, S.A.	Highways	20.00%	0.00%	20.00%
B.I.C. Euronova, S.A.	Investment services and promotion	20.00%	0.00%	20.00%
Caja España Vida, Compañía de Seguros y Reaseguros, S.A.	Insurance and reinsurance	0.00%	50.00%	50.00%
Camping El Brao, S.A.	Camping	0.00%	25.00%	25.00%
Creación de Suelo e Infraestructuras, S.L.	Real estate development	0.00%	24.98%	24.98%

Name	Business line	Ownership		
		Direct	Indirect	Total
Cuatro Estaciones INM Siglo XXI, S.L.	Real estate development	0.00%	20.00%	20.00%
Desarrollo Urbanísticos Cerro de Medianoche, S.L.....	Real estate development	0.00%	24.72%	24.72%
Gestión e Investigación de Activos, S.A.	Real estate development	0.00%	50.00%	50.00%
Hidralia, Gestión Integral de Aguas de Andalucía, S.A.....	Integrated water cycle	20.00%	0.00%	20.00%
Ingeniería de Suelos y Explotación de Recursos, S.A.	Mining industry	30.00%	0.00%	30.00%
Ingeniería e Integración Avanzadas, S.A.....	New technologies	40.00%	0.00%	40.00%
Inversiones Alaris, S.L.	Holding company	0.00%	33.33%	33.33%
La Reserva de Selwo Golf, S.L.	Real estate development	0.00%	35.00%	35.00%
MalagaPort, S.L.	Freight and warehousing services	26.77%	0.00%	26.77%
Mastercajas S.A.	Insurance and financial services	25.39%	0.00%	25.39%
Mejor Campo Abonos y Cereales, S.A.	Fertilizer and feed commercial	0.00%	27.00%	27.00%
Obenque, S.A.	Real estate development	0.00%	26.98%	26.98%
Parque Científico-Tecnológico de Almería, S.A.....	Real estate development	0.00%	30.08%	30.08%
Patrimonio Inmobiliario Empresarial, S.A. ..	Real estate development	0.00%	29.09%	29.09%
Propco Malagueta, S.L.	Real estate development	0.00%	25.00%	25.00%
Propco Orange 1, S.L.	Real estate development	0.00%	49.00%	49.00%
Proyecto Lima, S.L.	Real estate development	0.00%	25.00%	25.00%
Santa Justa Residencial.....	Real estate development	0.00%	49.50%	49.50%
Sociedad Municipal de Aparcamientos y Servicios, S.A.	Parkings	24.50%	0.00%	24.50%
Uncro, S.L.	Real estate development	0.00%	25.00%	25.00%
Unema Promotores Inmobiliarios, S.A.....	Real estate development	0.00%	40.00%	40.00%
Unicorp Vida, Compañía de Seguros y Reaseguros, S.A.....	Insurance	42.40%	7.60%	50.00%

Capital structure

As of the date of this Prospectus, the share capital of the Issuer amounts to €1,610,302,121, represented by 1,610,302,121 shares, with a par value of €1.00 each, all of the same class and series, fully subscribed to and paid in. The shares of the Issuer are listed on the Spanish Stock Exchanges.

Significant shareholders

The following table shows the significant shareholders of the Issuer, as displayed on the CNMV website, as of the date of this Prospectus:

	No. of direct shares	No. of indirect shares	No. of shares through financial instruments	% of total share capital ⁽¹⁾
FMR LLC.....		57,468,898		3.713%
Unicaja Banking Foundation.....	800,000,000			49.685%
Indumenta Pueri, S.L.....		80,516,128		5.000%

	No. of direct shares	No. of indirect shares	No. of shares through financial instruments	% of total share capital⁽¹⁾
Lansdowne European Absolute Opportunities Master Fund Ltd			17,149,372	1.065%
Lansdowne Partners International Limited..			19,305,854	1.199%
Norges Bank.....	48,565,545		1,027,124	3.080%
Santander Acciones Españolas, FI	49,037,645			3.045%
Santander Asset Management, S.A., SGIIC		79,638,322		4.946%
Wellington Management Group, LLP		48,766,801		3.028%

Source: Communications made to the CNMV (website of the CNMV as of the date of this Prospectus).

Notes:

- (1) Interest percentages calculated based on the number of Unicaja Banco's outstanding shares as of the date of this Prospectus.

As of the date of this Prospectus, the Unicaja Banking Foundation owns directly 49.685% of the share capital in Unicaja Banco.

In order to avoid the potential conflict of interests between Unicaja Banco and the majority shareholder, the governing body (*Patronato*) of the Unicaja Banking Foundation approved the Unicaja Banking Foundation's Protocol in accordance with the provisions of Law 26/2013, of 27 December, on savings banks and banking foundations (*Ley 26/2013, de 27 de diciembre, de Cajas de Ahorros y Fundaciones Bancarias*) on 5 June 2018. The Unicaja Banking Foundation's Protocol was approved by the Bank of Spain and it is available at the Issuer's website (www.unicajabanco.com) and at Unicaja Banking Foundation's website (www.fundacionunicaja.com).

The Unicaja Banking Foundation's Protocol establishes the procedures to avoid potential conflicts of interests as a result of the majority stake held by the Unicaja Banking Foundation in the share capital of Unicaja Banco and the criteria to appoint the members of the Board of Directors of Unicaja Banco.

In addition, the Issuer and the Unicaja Banking Foundation entered into a relationship internal protocol (*Protocolo Interno de Relaciones*) (the "**Relationship Protocol**") on 1 December 2016.

In accordance with the Relationship Protocol, the intra-group services shall be provided transparently, in market conditions, meeting the criteria for an economic and efficient management and under the principles of confidentiality. The delivery of services other than those regulated by the Relationship Protocol shall be agreed in writing establishing at least the subject matter, the price and the term.

As of the date of this Prospectus, the Issuer is not aware of any arrangement which may result in a change of control in the Issuer.

Credit rating

The following table contains the credit ratings that the Issuer has currently assigned for the long and short term by the credit rating agencies Fitch Ratings España, S.A.U. and Moody's Investors Service España, S.A.U.

Rating agency ⁽¹⁾	Long-term	Short-term	Outlook	Latest date of review of rating
Fitch Ratings España, S.A.U. ⁽²⁾	BBB-	F3	Stable	19 March 2019
Moody's Investors Service España, S.A.U. ⁽²⁾	Baa3	Prime-3	Stable	19 April 2018

Notes:

- (1) The details of the rating scales used and their meaning is found on the websites of each of the credit rating agencies (Fitch: [link](#) and Moody's: [link](#)). The information contained in these websites is not part of the Prospectus and has not been examined or approved by the CNMV.
- (2) Group's long-term deposit ratings. Registered with ESMA in accordance with the provisions of CRA Regulation.

Legal and arbitration proceedings

The Group has been and is involved in disputes and litigation related to the business. In particular, the Group is currently subject to the following legal proceedings, among others:

Clauses which set a minimum interest rate for mortgages

The Group has included clauses which limit the downward variation of the interest rates applicable to the Group's mortgage agreements (known as “**floor clauses**”), which set a minimum interest rate payable by borrowers to the lenders, regardless of the applicable benchmark rate. Currently, the Group does not include floor clauses in its mortgage agreements. However, borrowers have challenged the validity of such clauses in recent years on various grounds. UE and Spanish courts have rendered various judgments, directed both at specific financial institutions (including the Group) and the financial sector in general, declaring certain clauses that set minimum interest rates to be invalid on the basis of a lack of transparency at the time such mortgages were sold to customers or other reasons, which may materially affect the Group.

Unicaja Banco is taking different judicial and extra judicial actions based on negotiations with clients who are filing claims in relation to these clauses and, as a consequence, the impact of such judicial actions has been reduced. In fact, in the last 12 months, the number of judicial claims in relation to “floor clauses” has experienced a continuous decrease of up to 35%.

On 20 January 2017, the Spanish Government approved Royal Decree Law 1/2017 (“**RDL 1/2017**”), which encourages out-of-court settlements between financial institutions and those borrowers affected by such clauses, and aims to avoid overloading the Spanish Courts with these claims by establishing measures that incentivize a negotiation with the borrowers without going to court. However, although financial institutions are obliged to contact affected customers, letting them know of the existence of the relevant clauses in their documentation, there is no obligation for the parties to reach an agreement, in which case the borrowers are still able to file claims against the financial institutions. The Group has implemented the procedures set out in the RDL 1/2017 by creating a specific unit as part of its Customer Service Care (*Departamento de Atención al Cliente*) to inform affected borrowers of the existence of these procedures, address any claims that may be brought by them and, if appropriate, negotiate with them on a case by case basis. As well as judicial procedures, the claims filed in accordance with RDL 1/2017 have decreased noticeably. They were 60% less in the first six-month period of 2019 than in the same period of 2018 and, more importantly, the rate of claims in the second quarter of 2019 was 85% with respect to the last quarter of 2017.

IRPH potential litigation

A preliminary ruling has been filed before the CJEU which challenges the validity, due to alleged lack of transparency, of mortgage loan agreements subject to the IRPH. This claim was made after the ruling of the Spanish Supreme Court in December 2017, which confirmed that it was not possible to determine the lack of

transparency in the interest rate because of its reference to one or another official index, and therefore its unfairness.

The legal matter under debate is, among others, whether the transparency test based on Council Directive 93/13/EEC of 5 April 1993 on unfair terms in consumer contracts (“**Directive 93/13/EEC**”), when the borrower is a consumer.

Based on the existence of the judgment of the Supreme Court dated 14 December 2017, the fact that the IRPH is an official benchmark rate published and managed by the Bank of Spain, the existence of case law (*jurisprudencia*) of the CJEU which confirms the transparency of contracts referenced to other official benchmark rates, and the existence of an annual percentage rate (or APR, “T.A.E.” in Spain) indicator, which must be mandatorily informed to consumers, and which allows for the comprehension of the economic burden and the comparison of different mortgage offers (whatever the benchmark rate index applied is), the Bank considers that compliance with the transparency test under Directive 93/13/EEC should not be questioned.

On 10 September 2019, the Advocate General issued its opinion in relation to this matter (the “**Advocate General’s Opinion**”), according to which (i) Directive 93/13/EEC is applicable to the matter of reference and (ii) the national judge should be the competent authority to monitor the transparency of the disputed clause and verify whether the contract sets out the method of calculating the interest rate transparently and whether this contract meets all the information requirements envisaged in the national regulations.

The Advocate General’s Opinion does not consider the IRPH or the clause which incorporates it in the relevant loan agreements to be, per se, abusive or null.

The Advocate General’s Opinion is not binding on the CJEU and judgment by the CJEU will be given at a later date. The Bank cannot anticipate whether the CJEU’s judgment will confirm the conclusions reached by the Advocate General.

EspañaDuero Offer

In the context of the exchange offer for the preference shares and contingent convertible bonds of EspañaDuero (please see “—History and development—Recent developments—Merger by absorption of EspañaDuero by Unicaja Banco” above), several holders of EspañaDuero’s preference shares and contingent convertible bonds who did not accept the exchange offer initiated legal proceedings against EspañaDuero, claiming that there was an error or mistake on their consent when purchasing the preference shares or contingent convertible bonds, due to the lack of sufficient information. Accordingly, the Group has been required by court orders to repurchase such shares in legal actions, adding them to treasury stock.

The legal proceedings relating to this matter have decreased in the last years because, among other reasons, the Spanish Supreme Court has established a 4-year prescription term of claims, which expired in 2017.

Interest calculation formula used in mortgage transactions

The validity of one of the formulas used by the Group for calculating interest in mortgage agreements has been challenged by a limited number of lawsuits, on the basis that the numerator of the interest calculation formula fraction is calculated in natural days, and the denominator of the fraction is calculated in business days.

In order to avoid further claims from clients, Unicaja Banco has been progressively reducing the use of this formula on the occasion of the periodic interest review applicable to each loan agreement.

Early termination of mortgages

On 26 March 2019, the CJEU issued the long-expected judgment regarding early termination clauses contained in mortgage loans to consumers.

The CJEU judgment confirmed the unfairness of this sort of clause that includes any breach as a termination event and prohibits to delete those sections of the clause that may be considered null in order to seek partial validity thereof. However, the CJEU opened the door to applying the rule of the three unpaid monthly repayment amounts to terminate the affected agreements, if the declaration of unfairness entails an invalidity of the entire mortgage loan.

Following the CJEU judgement of March 2019 declaring the invalidity of this clause and deferring to the Spanish courts to determine the effects of such invalidity, on 11 September 2019, the Spanish Supreme Court ruled that (i) in relation to the loans subject to legal proceedings that had been declared due prior to 15 March 2013, the proceedings should terminate and the Bank should file a new enforcement claim, (ii) in relation to the loans subject to legal proceedings that had been declared due after 15 March 2013, the proceedings should continue if the relevant judge determined that the breach was material with regards to the amount and the term of the loan. In the opposite case, the proceedings should terminate and the Bank should file a new enforcement claim, (iii) in relation to loans which had been declared due in accordance with Law 5/2019 (*Ley Reguladora de los Contratos de Crédito Inmobiliario*) (“LCCI”) (i.e. 12 monthly payments) the proceedings should continue and (iv) in the future, the Bank can commence enforcement actions in relation to the loans which are declared due in accordance with LCCI, without the declaration of invalidity of the clause affecting such actions.

Claims in relation to the expenses relating to the formalization of mortgages

Following the ruling of the Spanish Supreme Court dated 23 January 2019, the case law in relation to the invalidity of the expenses relating to the formalization of mortgages has been clarified, as well as the effects of such invalidity.

Therefore, the debate with regards to the allocation of the expenses relating to the formalization of mortgages (of which the stamp duty taxes (*impuesto sobre actos jurídicos documentados*) is the most significant) has been resolved. With respect to the mortgage loans granted prior to January 2019, (i) the stamp duty taxes must be borne by the borrower, (ii) the notary and management expenses must be divided between the borrower and the bank and (iii) the registration expenses must be borne by the bank. This clarification has notably decreased the risk involved in the current legal proceedings which the Group is subject to.

Notwithstanding the reduction of the individual amounts being claimed, Unicaja Banco, as the rest of the credit entities in the Spanish sector, has experienced an increase in the litigation related to this matter and is taking action to reach agreements with its clients to avoid further judicial processes.

As of the date of this Prospectus, Unicaja Banco is under 6,700 legal proceedings related to this matter.

Law 57/1968, of 27 July, on the collection of advance amounts in the construction and sale of housing

Although Law 57/1968 was repealed by Law 38/1999, of 5 November, on building construction (*Ley 38/1999, de 5 de noviembre, de ordenación de la edificación*), it is still applicable to all purchases of housing made until 1 January 2016. This law set forth the express obligation for property developers to pay the amounts received from home buyers into a special account, as well as to grant in favor of such buyers a guarantee for the repayment of such amounts. The judgment of the Spanish Supreme Court dated 21 December 2015 extended the responsibility for repayment of such amounts to the financing credit institutions, and for the amounts paid by the home buyers, irrespective of whether or not it had issued a guarantee that such amounts would be repaid.

This law has led to some claims against credit institutions for the amounts delivered by individuals to developers on account of the purchase of housing, when said payments had been channeled through a credit institution. As at 31 December 2018, the estimate of the maximum amount claimed was €52 million.

Overview of financial information

Financial information as of and for the years ended 31 December 2018 and 2017

The sections below contain financial information of the Group extracted from the 2018 Consolidated Annual Accounts and the 2017 Consolidated Annual Accounts. Unicaja Banco publishes its standalone and consolidated annual accounts.

The table below includes the consolidated balance sheets of the Group as of 31 December 2018 and 2017:

	As of 31 December	
	2018	2017 ⁽¹⁾
	(€ thousand)	
ASSETS		
Cash, cash balances in central banks and other demand deposits.....	4,279,598	3,806,391
Financial assets held for trading.....	44,349	31,462
Derivatives	11,294	18,482
Equity instruments	20,616	-
Debt securities.....	12,439	12,980
Loans and advances	-	-
Central banks.....	-	-
Credit institutions	-	-
Customers.....	-	-
Memorandum item: Lent or provided as collateral (sell or pledge)	-	11,849
Non-trading financial assets mandatorily at fair value with changes through profit or loss.....	85,371	n.a.
Equity instruments	-	n.a.
Debt securities.....	85,371	n.a.
Loans and advances	-	n.a.
Central banks.....	-	n.a.
Credit institutions	-	n.a.
Customers.....	-	n.a.
Memorandum item: Lent or provided as collateral (sell or pledge)	-	n.a.
Financial assets designated at fair value through profit or loss.....	2,050	-
Debt securities.....	-	-
Loans and advances	2,050	-
Central banks.....	-	-
Credit institutions	-	-
Customers.....	2,050	-
Memorandum item: Lent or provided as collateral (sell or pledge)	-	-
Available-for-sale financial assets.....	n.a.	3,701,538
Equity instruments	n.a.	536,062
Debt securities.....	n.a.	3,165,476
Memorandum item: Lent or provided as collateral (sell or pledge)	n.a.	1,903,978
Financial assets designated at fair value through other comprehensive income	3,425,138	n.a.
Equity instruments	547,252	n.a.
Debt securities.....	2,877,886	n.a.
Loans and advances	-	n.a.
Central banks.....	-	n.a.
Credit institutions	-	n.a.
Customers.....	-	n.a.
Memorandum item: Lent or provided as collateral (sell or pledge)	402,876	n.a.
Loans and receivables.....	n.a.	32,407,257
Debt securities.....	n.a.	2,585,205

Loans and advances	n.a.	29,822,052
Central banks.....	n.a.	-
Credit institutions	n.a.	184,175
Customers.....	n.a.	29,637,877
<i>Memorandum item: Lent or provided as collateral (sell or pledge)</i>	<i>n.a.</i>	<i>894,427</i>
Held-to-maturity investments	n.a.	10,634,320
<i>Memorandum item: Lent or provided as collateral (sell or pledge)</i>	<i>n.a.</i>	<i>4,138,903</i>
Financial assets carried at amortized cost	44,113,307	n.a.
Equity instruments	-	n.a.
Debt securities.....	14,763,449	n.a.
Loans and advances	29,349,858	n.a.
Central banks.....		n.a.
Credit institutions	1,699,075	n.a.
Customers.....	27,650,783	n.a.
<i>Memorandum item: Lent or provided as collateral (sell or pledge)</i>	<i>9,354,348</i>	<i>n.a.</i>
Derivatives - hedge accounting	411,394	456,829
Change in fair value of securities held in a portfolio hedged against interest rate risk.....	-	-
Investments in joint ventures and associates companies	359,128	482,943
Joint ventures	38,301	74,409
Associates	320,827	408,534
Assets under insurance or reinsurance contracts.....	2,585	-
Tangible assets.....	1,188,447	1,290,684
Fixed tangible assets	848,638	872,636
For own use	848,638	872,636
Lent under an operating lease agreement	-	-
Investment property	339,809	418,048
<i>Of which: lent under operating lease</i>	<i>215,668</i>	<i>241,366</i>
<i>Memorandum item: acquired under a finance lease</i>	<i>-</i>	<i>3</i>
Intangible assets	62,505	1,882
Goodwill	56,840	184
Other intangible assets	5,665	1,698
Tax assets.....	2,653,442	2,613,094
Current tax assets	84,735	75,078
Deferred tax assets	2,568,707	2,538,016
Other assets	502,735	466,455
Insurance contracts linked to pensions.....	118,615	131,103
Inventories	283,380	266,596
All other assets.....	100,740	68,756
Non-current assets and disposal groups held for sale.....	374,130	439,053
TOTAL ASSETS.....	57,504,179	56,331,908

LIABILITIES

Financial liabilities held for trading	17,978	27,412
Derivatives	17,978	27,412
Short positions	-	-
Deposits	-	-
Central banks.....	-	-
Credit institutions	-	-
Customers.....	-	-
Issued debt securities	-	-
Other financial liabilities.....	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Deposits	-	-
Central banks.....	-	-

Credit institutions	-	-
Customers.....	-	-
Issued debt securities	-	-
Other financial liabilities.....	-	-
<i>Memorandum item: subordinated liabilities</i>		
Financial liabilities carried at amortized cost.....	51,375,861	50,940,743
Deposits	50,357,347	50,086,072
Central banks.....	3,316,446	3,330,034
Credit institutions	3,578,774	714,873
Customers.....	43,462,127	46,041,165
Issued debt securities	59,958	129,848
Other financial liabilities.....	958,556	724,823
<i>Memorandum item: subordinated liabilities</i>	-	-
Derivatives - hedge accounting	143,299	31,385
Change in fair value of securities held in a portfolio hedged against interest rate risk.....	-	-
Liabilities under insurance and reinsurance contracts.....	642,350	4,290
Provisions.....	885,380	935,351
Pensions and related post-employment defined benefits.....	146,468	163,480
Other long-term employee benefits.....	127,070	127,415
Provisions for taxes and other legal contingencies.....	-	-
Commitments and guarantees given	129,301	104,238
All other provisions.....	482,541	540,218
Tax liabilities	232,010	208,984
Current tax liabilities.....	21,128	22,793
Deferred tax liabilities.....	210,882	186,191
Other liabilities.....	289,645	281,405
<i>Of which: Welfare fund (savings banks and credit unions).....</i>	-	-
Liabilities in disposal groups classified as held for sale	-	-
TOTAL LIABILITIES	53,586,523	52,429,570

EQUITY

Shareholders' equity	3,921,020	3,855,750
Capital.....	1,610,302	1,610,302
Paid-in capital	1,610,302	1,610,302
Called-up capital	-	-
<i>Memorandum entry (p.m.): uncalled capital)</i>	-	-
Share premium.....	1,209,423	1,209,423
Equity instruments issued other than capital	47,897	49,021
Equity component of compound financial instruments	47,897	49,021
Other equity instruments issued	-	-
Other equity items	-	-
Retained earnings	969,426	871,757
Revaluation reserves	-	-
Other reserves	(66,431)	(27,128)
Reserves or accumulated losses of investments in joint and associates	(320,916)	(406,640)
Other	254,485	379,512
(-) Treasury shares.....	(2,147)	-
Net income/loss attributable to the parent company	152,550	142,375
(-) Interim dividends	-	-
Accumulated other comprehensive income	(3,784)	16,910
Items not subject to reclassification to income statement.....	7,105	183
Actuarial gain or (-) loss in benefit pension scheme	1,644	183
Non-current assets and disposal groups classified as held-for-sale.....	-	-

Share of other recognised income revenues and expense of investments in joint ventures & associates	8,523	-
Change in fair value of equity instruments measured at fair value through other comprehensive income	(3,062)	n.a.
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income.....	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedged item).....	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Change in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in its credit risk	-	-
Items subject to reclassification to income statement	(10,889)	16,727
Hedging of net investments abroad (effective portion)	-	-
Foreign currency translation	(54)	(79)
Hedging derivatives. Reserve of cash flow hedges (effective portion)	7,018	(8,379)
Available-for-sale financial assets	n.a.	2,145
<i>Debt instruments</i>	<i>n.a.</i>	<i>3,035</i>
<i>Equity instruments</i>	<i>n.a.</i>	<i>(890)</i>
Change in fair value of debt instruments measured at fair value through other comprehensive income	(20,157)	n.a.
Hedging instruments (non-designated items).....	-	-
Non-current assets and disposal groups classified as held-for-sale.....	-	-
Recognised revenues and expenses from joint-ventures & associates companies	2,304	23,040
Non-controlling interest (from minority stakes).....	420	29,678
Other accumulated comprehensive income.....	420	392
Other items.....	-	29,286
TOTAL EQUITY.....	3,917,656	3,902,338
TOTAL LIABILITIES AND EQUITY.....	57,504,179	56,331,908
Memorandum item: off-balance sheet exposure		
Loan commitments given.....	2,579,238	2,786,416
Financial guarantees given	64,537	77,230
<u>Other commitments given.....</u>	<u>2,021,991</u>	<u>1,818,194</u>

Note:

- (1) This information has not been restated using the same accounting criteria used to prepare the 2018 financial statements and is therefore not comparable with the information corresponding to 2018. See Note 1.5 to the 2018 Consolidated Annual Accounts.

The table below includes the consolidated income statements of the Group for the years ended 31 December 2018 and 2017:

	For the year ended 31 December	
	2018	2017⁽¹⁾
	<i>(€ thousand)</i>	
Interest income	805,186	852,818
Financial assets designated at fair value through other comprehensive income	177,583	86,842
Financial assets carried at amortized cost	618,516	618,714
Other	9,087	147,262
Interest expense	(204,372)	(270,055)
Redeemable equity expenses	-	-
Net interest income	600,814	582,763

	For the year ended 31 December	
	2018	2017 ⁽¹⁾
Dividend income.....	22,511	22,881
Income/loss from entities carried at equity method	37,206	48,969
Fee and commission income.....	240,238	240,565
Fee and commission expense.....	(21,433)	(20,418)
Net gains or (-) losses on derecognition from the statements of financial assets and liabilities not measured at fair value through profit or loss	144,727	96,052
Net gains or (-) losses from financial assets and liabilities held for trading	513	1,675
Net gains or (-) losses from non-trading financial assets mandatorily designated at fair value through profit or loss	853	n.a.
Net gain (loss) from financial assets and liabilities designated at fair value through profit or loss	(3,561)	-
Net gain (loss) from hedge accounting	-	179
Net gains or losses from exchange differences.....	(404)	402
Other operating income	101,126	163,889
Other operating expenses.....	(143,469)	(139,906)
Income from assets under insurance or reinsurance contracts	57,545	-
Expenses from liabilities under insurance or reinsurance contracts.....	(37,708)	-
Gross margin.....	998,958	997,051
Administrative expenses	(582,095)	(590,481)
Staff expenses	(390,794)	(401,073)
Other administrative expenses	(191,301)	(189,408)
Depreciation and amortization.....	(37,073)	(42,315)
(Provisions or reversals of provisions)	(186,904)	(132,454)
(Impairment or reversal in the value of financial assets not measured at fair value through profit and loss or net gains by modification).....	3,079	(36,652)
Financial assets measured at cost.....	n.a.	(18,621)
Financial assets designated at fair value through other comprehensive income	-	n.a.
Available-for-sale financial assets	n.a.	30,588
Financial assets carried at amortized cost	3,079	n.a.
Loans and receivables	n.a.	(48,619)
Held-to-maturity investments	n.a.	-
Net operating income.....	195,965	195,149
Impairment or reversal in the value of joint ventures or associates	-	(27,247)
Impairment or reversal in the value of non-financial assets.....	4,332	(46,716)
Tangible assets.....	(15,439)	(5,808)
Intangible assets.....	(7,807)	-
Other	27,578	(40,908)
Net gain (loss) on derecognition of non-financial assets and investments.....	7,395	18,737
Negative goodwill recognized in P&L	-	-
Gain (loss) from non-current assets and disposal groups held for sale not classified as discontinued operations	(1,816)	(143)
Pre-tax income (or loss) from continuing operations.....	205,876	139,780
Tax expense or income on earnings from continued operations	(53,335)	(1,341)
Profit or loss after tax from continuing operations.....	152,541	138,439
Profit or loss after tax from discontinued operations	-	-
Profit/(loss) for the year	152,541	138,439
Attributable to minority interests (non-controlling interest)	(9)	(3,936)
Attributable to owners of the parent company	152,550	142,375

	For the year ended 31 December	
	2018	2017⁽¹⁾
Earnings per share.....	-	-
Basic earnings per share (€).....	0.095	0.113
Diluted earnings per share (€).....	0.093	0.109

Note:

- (1) This information has not been restated using the same accounting criteria used to prepare the 2018 financial statements and is therefore not comparable with the information corresponding to 2018. See Note 1.5 to the 2018 Consolidated Annual Accounts.

Financial information as of and for the nine months ended 30 September 2019 and 2018

The table below includes the consolidated balance sheets of the Group as of 30 September 2019 and 31 December 2018:

	As of 30 September 2019	As of 31 December 2018
	(€ thousand)	
ASSETS		
Cash, cash balances in central banks and other demand deposits	2,613,602	4,279,598
Financial assets held for trading	34,176	44,349
Derivatives.....	11,768	11,294
Equity instruments.....	22,408	20,616
Debt securities	-	12,439
Loans and advances	-	-
Central banks	-	-
Credit institutions.....	-	-
Customers	-	-
Memorandum item: Lent or provided as collateral (sell or pledge).....	-	-
Non-trading financial assets mandatorily at fair value with changes through profit or loss.....	83,939	85,371
Equity instruments.....	-	-
Debt securities	83,939	85,371
Loans and advances	-	-
Central banks	-	-
Credit institutions.....	-	-
Customers	-	-
Memorandum item: Lent or provided as collateral (sell or pledge).....	-	-
Financial assets designated at fair value through profit or loss.....	-	2,050
Debt securities	-	-
Loans and advances	-	2,050
Central banks	-	-
Credit institutions.....	-	-
Customers	-	2,050
Memorandum item: Lent or provided as collateral (sell or pledge).....	-	-
Financial assets designated at fair value through other comprehensive income.....	1,964,598	3,425,138
Equity instruments.....	608,111	547,252

Debt securities	1,356,487	2,877,886
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
<i>Memorandum item: Lent or provided as collateral (sell or pledge)</i>	<i>181,372</i>	<i>402,876</i>
Financial assets carried at amortized cost	45,456,390	44,113,307
Equity instruments	-	-
Debt securities	15,925,408	14,763,449
Loans and advances	29,530,982	29,349,858
Central banks	-	-
Credit institutions	1,163,249	1,699,075
Customers	28,367,733	27,650,783
<i>Memorandum item: Lent or provided as collateral (sell or pledge)</i>	<i>7,358,788</i>	<i>9,354,348</i>
Derivatives - hedge accounting	591,790	411,394
Change in fair value of securities held in a portfolio hedged against interest rate risk	-	-
Investments in joint ventures and associates companies	368,900	359,128
Joint ventures	35,480	38,301
Associates	333,420	320,827
Assets under insurance or reinsurance contracts	1,880	2,585
Tangible assets	1,216,510	1,188,447
Fixed tangible assets	878,699	848,638
For own use	878,699	848,638
Lent under an operating lease agreement	-	-
Investment property	337,811	339,809
<i>Of which: lent under operating lease</i>	<i>222,176</i>	<i>215,668</i>
<i>Memorandum item: acquired under a finance lease</i>	<i>47,230</i>	<i>-</i>
Intangible assets	61,640	62,505
Goodwill	52,213	56,840
Other intangible assets	9,427	5,665
Tax assets	2,706,037	2,653,442
Current tax assets	38,119	84,735
Deferred tax assets	2,667,918	2,568,707
Other assets	300,500	502,735
Insurance contracts linked to pensions	-	118,615
Inventories	206,961	283,380
All other assets	93,539	100,740
Non-current assets and disposal groups held for sale	405,883	374,130
TOTAL ASSETS	55,805,845	57,504,179

LIABILITIES

Financial liabilities held for trading	28,245	17,978
Derivatives	28,245	17,978
Short positions	-	-
Deposits	-	-
Central banks	-	-
Credit institutions	-	-

Customers	-	-
Issued debt securities	-	-
Other financial liabilities	-	-
Financial liabilities designated at fair value through profit or loss	-	-
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Issued debt securities	-	-
Other financial liabilities	-	-
<i>Memorandum item: subordinated liabilities</i>	<i>-</i>	<i>-</i>
Financial liabilities carried at amortized cost	49,224,830	51,375,861
Deposits	48,162,536	50,357,347
Central banks	3,306,319	3,316,446
Credit institutions	2,165,391	3,578,774
Customers	42,690,826	43,462,127
Issued debt securities	60,020	59,958
Other financial liabilities	1,002,274	958,556
<i>Memorandum item: subordinated liabilities</i>	<i>-</i>	<i>-</i>
Derivatives - hedge accounting	466,202	143,299
Change in fair value of securities held in a portfolio hedged against interest rate risk	-	-
Liabilities under insurance and reinsurance contracts	642,581	642,350
Provisions	727,451	885,380
Pensions and related post-employment defined benefits	27,119	146,468
Other long-term employee benefits	110,708	127,070
Provisions for taxes and other legal contingencies	-	-
Commitments and guarantees given	131,301	129,301
All other provisions	458,323	482,541
Tax liabilities	357,774	232,010
Current tax liabilities	43,986	21,128
Deferred tax liabilities	313,788	210,882
Other liabilities	348,915	289,645
<i>Of which: Welfare fund (savings banks and credit unions)</i>	<i>-</i>	<i>-</i>
Liabilities in disposal groups classified as held for sale	-	-
TOTAL LIABILITIES	<u>51,795,998</u>	<u>53,586,523</u>

EQUITY

Shareholders' equity	3,969,693	3,921,020
Capital	1,610,302	1,610,302
Paid-in capital	1,610,302	1,610,302
Called-up capital	-	-
<i>Memorandum entry (p.m.): uncalled capital)</i>	<i>-</i>	<i>-</i>
Share premium	1,209,423	1,209,423
Equity instruments issued other than capital	47,719	47,897
Equity component of compound financial instruments	47,719	47,897
Other equity instruments issued	-	-

Other equity items	-	-
Retained earnings	940,479	969,426
Revaluation reserves	-	-
Other reserves	10,178	(66,431)
Reserves or accumulated losses of investments in joint and associates	(244,307)	(320,916)
Other	254,485	254,485
(-) Treasury shares	(7,449)	(2,147)
Net income/loss attributable to the parent company	159,041	152,550
(-) Interim dividends	-	-
Accumulated other comprehensive income	39,674	(3,784)
Items not subject to reclassification to income statement	22,648	7,105
Actuarial gain or (-) loss in benefit pension scheme	1,644	1,644
Non-current assets and disposal groups classified as held-for-sale	-	-
Share of other recognised income revenues and expense of investments in joint ventures & associates	6,536	8,523
Change in fair value of equity instruments measured at fair value through other comprehensive income	14,468	(3,062)
Ineffectiveness of fair value hedges of equity instruments measured at fair value through other comprehensive income	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-
Change in fair value of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-
Change in fair value of financial liabilities designated at fair value through profit or loss attributable to changes in its credit risk	-	-
Items subject to reclassification to income statement	17,026	(10,889)
Hedging of net investments abroad (effective portion)	-	-
Foreign currency translation	(87)	(54)
Hedging derivatives. Reserve of cash flow hedges (effective portion)	(69,905)	7,018
Available-for-sale financial assets	n.a.	n.a.
<i>Debt instruments</i>	<i>n.a.</i>	<i>n.a.</i>
<i>Equity instruments</i>	<i>n.a.</i>	<i>n.a.</i>
Change in fair value of debt instruments measured at fair value through other comprehensive income	59,290	(20,157)
Hedging instruments (non-designated items)	-	-
Non-current assets and disposal groups classified as held-for-sale	-	-
Recognised revenues and expenses from joint-ventures & associates companies	27,728	2,304
Non-controlling interest (from minority stakes)	480	420
Other accumulated comprehensive income	-	-
Other items	480	420
TOTAL EQUITY	4,009,847	3,917,656
TOTAL LIABILITIES AND EQUITY	55,805,845	57,504,179
Memorandum item: off-balance sheet exposure		
Loan commitments given	3,007,312	2,579,238
Financial guarantees given	63,989	64,537
Other commitments given	3,559,726	2,021,991

The table below includes the consolidated income statements of the Group for the nine months ended 30 September 2019 and 2018:

	For the nine-month period ended 30 September	
	2019	2018
	<i>(€ thousand)</i>	
Interest income	577,737	605,258
Financial assets designated at fair value through other comprehensive income	15,183	130,096
Financial assets carried at amortized cost	518,130	455,984
Other	44,424	19,178
Interest expense	(140,943)	(153,554)
Redeemable equity expenses	-	-
Net interest income	436,794	451,704
Dividend income	23,840	20,051
Income/loss from entities carried at equity method	29,036	32,357
Fee and commission income	190,067	180,297
Fee and commission expense	(18,488)	(16,993)
Net gains or (-) losses on derecognition from the statements of financial assets and liabilities not measured at fair value through profit or loss	66,048	40,796
Net gains or (-) losses from financial assets and liabilities held for trading	118	4,511
Net gains or (-) losses from non-trading financial assets mandatorily designated at fair value through profit or loss	3,717	1,032
Net gain (loss) from financial assets and liabilities designated at fair value through profit or loss	-	(2,998)
Net gain (loss) from hedge accounting	(1,099)	
Net gains or losses from exchange differences	383	891
Other operating income	101,961	80,348
Other operating expenses	(64,817)	(73,220)
Income from assets under insurance or reinsurance contracts	51,505	46,566
Expenses from liabilities under insurance or reinsurance contracts	(33,930)	(30,197)
Gross margin	785,135	735,145
Administrative expenses	(422,030)	(438,238)
Staff expenses	(290,755)	(292,755)
Other administrative expenses	(131,275)	(145,483)
Depreciation and amortization	(32,120)	(27,498)
(Provisions or reversals of provisions)	(113,819)	(81,273)
(Impairment or reversal in the value of financial assets not measured at fair value through profit and loss or net gains by modification)	(37,339)	3,301
Net operating income	179,827	191,437
Impairment or reversal in the value of joint ventures or associates	-	-
Impairment or reversal in the value of non-financial assets	(15,268)	(2,161)
Tangible assets	(1,348)	4,041
Intangible assets	(5,717)	(5,901)
Other	(8,203)	(301)

	For the nine-month period ended 30 September	
	2019	2018
Net gain (loss) on derecognition of non-financial assets and investments	32,175	5,180
Negative goodwill recognized in P&L	-	-
Gain (loss) from non-current assets and disposal groups held for sale not classified as discontinued operations	6,699	(2,300)
Pre-tax income (or loss) from continuing operations	203,433	192,156
Tax expense or income on earnings from continued operations.....	(44,396)	(49,909)
Profit or loss after tax from continuing operations	159,037	142,247
Profit or loss after tax from discontinued operations.....	-	-
Profit/(loss) for the year	159,037	142,247
Attributable to minority interests (non-controlling interest).....	(4)	(7)
Attributable to owners of the parent company	159,041	142,254

Alternative Performance Measures

This Prospectus (and the documents incorporated by reference in this Prospectus) contains certain management measures of performance or APMs, which are used by management to evaluate the Group's overall performance or liquidity. These measures are used in the Bank's planning, operational and financial decision-making and are commonly used in the finance sector as indicators to monitor institutions' assets, liabilities and economic/financial positions.

These APMs are not audited, reviewed or subject to review by the Issuer's auditors and are not measures required by, or presented in accordance with, IFRS-EU. Many of these APMs are based on the Issuer's internal estimates, assumptions and calculations. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by the Issuer, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of the Group's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the audited consolidated annual accounts incorporated by reference in this Prospectus.

The Bank believes that the description of these APMs in this Prospectus follows and complies with the "ESMA Guidelines on Alternative Performance Measures" dated 5 October 2015.

The following are the APMs used in this Prospectus.

Foreclosed assets coverage ratio: impairment of foreclosed real estate assets divided by gross carrying amount of foreclosed real estate assets. The Group used this APM to show the level of coverage of foreclosed real estate assets and therefore, the net exposure to them and the evolution of the quality of credit risk.

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
Numerator	Impairment of foreclosed real estate assets	1,034	1,197
Denominator	Gross carrying amount of foreclosed real estate assets	1,661	1,872

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
=	Foreclosed assets coverage ratio	62.2%	64.0%

NPL coverage ratio: impairment losses on loans and advances to customers (excluding extraordinary provisions related to clauses which set a minimum interest rate for mortgages) divided by NPLs. This is one of the main indicators used by the Group to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via loan-loss provisions.

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
Numerator	Loans and receivables portfolio. Total adjustments for impairment of assets ⁽¹⁾	1,020	1,355
Denominator	Loans and receivables portfolio. NPL risks ⁽¹⁾	1,926	2,710
=	NPL coverage ratio	53.0%	50.0%

Note:

(1) Source: Note 27 to the Annual Accounts

NPL ratio: NPLs divided by gross loans. This is one of the main indicators used by the Group to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as NPLs and the total balance of credit risk.

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
Numerator	Loans and receivables portfolio. NPL risks ⁽¹⁾	1,926	2,710
Denominator	Loans and receivables portfolio. Gross amount ⁽¹⁾	28,703	31,037
=	NPL ratio	6.7%	8.7%

Note:

(2) Source: Note 27 to the Annual Accounts

NPA coverage ratio: sum of impairment of foreclosed real estate assets and impairment of the loans and receivables portfolio divided by the sum of the gross carrying amount of foreclosed real estate assets and NPLs. The Group uses this APM as an indication of the asset quality in relation to coverage of problematic assets.

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
Numerator	(+) Impairment of foreclosed real estate assets ⁽¹⁾	1,034	1,197
	(+) Loans and receivables portfolio. Total adjustments for impairment of assets	1,020	1,355

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
Denominator	(+) Gross carrying amount of foreclosed real estate assets	1,661	1,872
	(+) Loans and receivables portfolio. NPL risks ⁽¹⁾	1,926	2,710
=	NPA coverage ratio	57.3%	55.7%

Note:

(1) Source: Note 27 to the Annual Accounts

Net NPA over total assets: NPAs, calculated as the sum of foreclosed real estate assets and NPLs, net of provisions, divided by total assets. The Group uses this APM as an indicator of asset quality, to measure the weight of problematic assets after deducting their provisions on the Group's balance sheet.

		As of 31 December	
		2018	2017
		<i>(€ million, except %)</i>	
Numerator	(+) Gross carrying amount of foreclosed real estate assets	1,661	1,872
	(+) Loans and receivables portfolio. NPL risks ⁽¹⁾	1,926	2,710
	(-) Impairment of foreclosed real estate assets ⁽¹⁾	1,034	1,197
	(-) Loans and receivables portfolio. Total adjustments for impairment of assets	1,020	1,355
	= Net NPAs	1,533	2,030
Denominator	Total assets	57,504	56,332
=	Net NPAs over total assets	2.67%	3.60%

Note:

(1) Source: Note 27 to the Annual Accounts

Loans and advances to customers (excluding valuation adjustments): Variable and fixed interest rate credit and loans less other assets designated at fair value.

		As of 31 December	
		2018	2017
		<i>(€ million)</i>	
	(+) Loans and receivables. Credit and loans at variable interest rate	23,861	25,388
	(+) Loans and receivables. Credit and loans at fixed interest rate	3,669	3,230
	(+) Other assets designated at fair value. Credit at variable interest rate	9	-
	Loans and advances to customers (excluding valuation adjustments) ...	27,539	28,618

Wholesale funds (markets): Sum of covered bonds, deposits from customers and issued debt securities, less repos controlled by retail customers. The Group uses this APM to determine the amount of funding not provided by retail customers.

	As of 31 December	
	2018	2017
	(€ million)	
(+) Covered bonds under the heading “Term deposits” Accounting value (excluding valuation adjustments) ⁽¹⁾	4,249	5,093
(+) Deposits from customers. - Repos (excluding valuation adjustments)	1,268	3,157
(+) Issued debt securities (excluding valuation adjustments)	60	130
(-) Repos controlled by retail customers ⁽¹⁾	454	594
Wholesale funds (markets)	5,123	7,786

Note:

(1) Management measure calculated as follows:

	As of 31 December	
	2018	2017
	(€ million)	
(+) Covered bonds under the heading “Term deposits” Nominal value.....	4,427	5,268
(-) Fair value of EspañaDuero issues	178	175
Covered bonds under the heading “Term deposits” Accounting value (excluding valuation adjustments).....	4,249	5,093

LTD ratio: Loans and advances to customers (excluding valuation adjustments) divided by customer deposits. This is one of the main indicators by the Group to monitor the level of leverage and wholesale funding dependence of a banking franchise.

		As of 31 December	
		2018	2017
		(€ million, except %)	
Numerator	Loans and advances to customers (excluding valuation adjustments) ⁽¹⁾	27,539	28,618
	(a) Financial liabilities measured at amortized cost. Deposits from customers (excluding valuation adjustments)	42,861	45,373
	(b) Covered bonds under the heading “Term deposits” Accounting value ⁽²⁾	4,249	5,093
Denominator	(c) Deposits from customers. - Repos (excluding valuation adjustments).....	1,268	3,157
	(d) Repos controlled by retail customers (management measure)	454	594
	(a) – (b) – (c) + (d) = Customer deposits (non-market) (excluding valuation adjustments)	37,798	37,717

		As of 31 December	
		2018	2017
		(€ million, except %)	
=	LTD ratio (%).....	72.9%	75.9%

Note:

- (1) APM. See definition and calculation above.
(2) See calculation above under the APM “Wholesale funds (markets)”.

Performing loans: gross amount of loans and receivables less NPLs.

		As of 31 December	
		2018	2017
		(€ million)	
(+) Loans and receivables portfolio. Gross amount		28,703	31,038
(-) Loans and receivables portfolio. NPL risk.....		1,926	2,710
Performing loans		26,777	28,328

Fixed income securities (excluding forward sales and insurance business debt portfolio and other accounting adjustments): Fixed income debt securities excluding forward sales, insurance business debt securities and other accounting adjustments. The Group uses this APM as an indicator of the fixed income debt securities related to the banking activity.

		As of 31 December	
		2018	2017
		(€ million, except %)	
(+) Fixed income securities.....		17,739	16,398
(-) Forward sales		942	1,429
(-) Insurance business debt securities.....		626	-
(-) Accrued coupon		129	161
(-) Unrealized gains fair value portfolios		18	145
(+) Hedging.....		42	-
Fixed income securities (excluding forward sales and insurance business debt portfolio and other accounting adjustments)		16,067⁽¹⁾	14,663

Note:

- (1) Figure rounded to € million

CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING POWERS

The regulatory framework regarding the solvency of credit entities is established by the CRR, the CRD IV Directive, any CRD IV Implementing Measures (as this term is defined in the Conditions). The implementation of the CRD IV Directive in Spain has largely taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities, Law 10/2014, Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (the “**Royal Decree 84/2015**”), and Bank of Spain Circulars 2/2014, of 31 January, and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive (the “**Bank of Spain Circular 2/2016**”).

BRRD, that has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015, also establishes certain requirements in terms of a minimum level of capital and eligible liabilities in relation to total liabilities and own funds (known as “**MREL**”).

On 23 November 2016, the European Commission presented a comprehensive package of reforms amending CRR, the CRD IV Directive and the BRRD and the SRM Regulation. On 7 June 2019 the following regulations were published: (i) Directive (EU) 2019/878 of the European Parliament and of the Council, of 20 May 2019 (as amended, replaced or supplemented from time to time, the “**CRD V Directive**”) amending the CRD IV Directive, (ii) Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 (as amended, replaced or supplemented from time to time, “**BRRD II**”) amending, among other things, the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, “**CRR II**”) amending, among other things, the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the “**SRM Regulation II**”) amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the CRD V Directive, BRRD II, CRR II and the SRM Regulation II, the “**EU Banking Reforms**”). The EU Banking Reforms entered into force on 27 June 2019 and are stated to apply from 18 months plus one day after the date of their entry into force, which is scheduled for 29 December 2020, other than in the case of CRR II where a two-year period is provided for, subject to certain exceptions.

The package of reforms presented by the European Commission on 23 November 2016 included a proposal to create a new asset class of “non preferred” senior debt. On 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the European Union. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters created in Spain the new asset class of senior non preferred debt.

Capital requirements

Under CRD IV, the Group is required to hold a minimum amount of regulatory capital of 8% of risk-weighted assets (“**RWAs**”) of which at least 4.5% must be CET1 capital and at least 6% must be Tier 1 capital (together, the “**minimum “Pillar 1” capital requirements**”).

Moreover, Article 104 of CRD IV Directive, as implemented by Article 68 of Law 10/2014, also contemplates that in addition to the minimum “Pillar 1” capital requirements, the supervisory authorities may require further

capital to cover other risks. This may result in the imposition of further CET1, Tier 1 and total capital requirements on Unicaja Banco and the Group pursuant to this “Pillar 2” framework. Following the introduction of the SSM, the ECB is in charge of assessing additional “Pillar 2” capital requirements (“**P2R**”) through the supervisory review and evaluation process (the “**SREP**”) assessments to be carried out at least on an annual basis (accordingly requirements may change from year to year).

In addition to the minimum “Pillar 1” capital requirements and the P2R, credit institutions must comply with the “combined buffer requirement” set out in the CRD IV Directive as implemented in Spain. The “combined buffer requirement” has introduced five new capital buffers to be satisfied with additional CET1 capital: (i) the capital conservation buffer of 2.5% of RWAs; (ii) the G-SII buffer, of between 1% and 3.5% of RWAs; (iii) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may be as much as 2.5% of RWAs (or higher pursuant to the competent authority); (iv) the other systemically important institutions (“**O-SII**”) buffer, which may be as much as 2% of RWAs; and (v) the systemic risk buffer to prevent systemic or macro prudential risks, of at least 1% of RWAs (to be set by the Bank of Spain).

The Bank has not been classified as G-SII or as O-SII by the FSB nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer. In addition, the Bank of Spain agreed to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the fourth quarter of 2019 (requirements will be revised each quarter). Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

As set out in the “Opinion of the European Banking Authority on the interaction of “Pillar 1”, “Pillar 2” and combined buffer requirements and restrictions on distributions” published on 16 December 2015, competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the “combined buffer requirement” for the purposes of the Maximum Distributable Amount (as defined below) calculation is limited to the amount not used to meet the minimum “Pillar 1” capital requirements and the P2R of the institution and, accordingly, the “combined buffer requirement” is in addition to the minimum “Pillar 1” capital requirement and to the P2R, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order.

According to Article 48 of Law 10/2014, Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, those entities failing to meet the “combined buffer requirement” or making a distribution in connection with CET1 capital to an extent that would decrease its CET1 capital to a level where the “combined buffer requirement” is no longer met will be subject to restrictions on (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension revenues and (iii) distributions relating to Additional Tier 1 capital instruments, until the maximum distributable amount calculated according to CRD IV (i.e., the firm’s “distributable profits”, calculated in accordance with CRD IV, multiplied by a factor dependent on the extent of the shortfall in CET1 capital) (the “**Maximum Distributable Amount**”) has been calculated and communicated to the Bank of Spain. Thereafter, any such distributions or payments will be subject to such Maximum Distributable Amount for entities (a) not meeting the “combined buffer requirement” or (b) in relation to which the Bank of Spain has adopted any of the measures set forth in Article 68.2 of Law 10/2014 aimed at strengthening own funds or limiting or prohibiting the distribution of dividends.

In addition, a new Article 16.a) of the BRRD, as recently amended by BRRD II, better clarifies the stacking order between the “combined buffer requirement” and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from distributing more than the “maximum distributable amount” for own funds and eligible liabilities (calculated in accordance with the new Article 16.a)(4) of the BRRD) (the “**MREL-Maximum Distributable Amount Provision**”) through distribution of dividends, variable remuneration and payments to holders of AT1 instruments, where it meets the “combined

buffer requirement” but fails to meet that “combined buffer requirement” when considered in addition to the MREL requirements. The referred Article 16.a) of the BRRD includes a potential nine-month grace period whereby the resolution authority will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount Provision before such resolution authority is compelled to exercise its power under the provisions (subject to certain limited exceptions).

As communicated by the European Banking Authority on 1 July 2016, in addition to the minimum “Pillar 1” capital requirements, the P2R and the “combined buffer requirements”, the supervisor can also set a “Pillar 2” capital guidance (“**P2G**”). Thus, SREP decisions of 2016 onwards differentiate between P2R and P2G. While P2R are binding requirements and breaches can have direct legal consequences for the banks, P2G is not directly binding and a failure to meet it does not automatically trigger legal action, even though the ECB expects banks to meet P2G. Under the EU Banking Reforms, the P2G is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount.

In February 2019, the Bank was informed by the ECB of the results of the SREP, which include the supervisory decision regarding capital requirements applicable to the Bank for 2019. The details of these capital requirements are described below:

	CET1 ratio	Total capital
Pillar 1	4.50%	8.00%
Pillar 2 (P2R).....	1.75%	1.75%
Conservation buffer.....	2.50%	2.50%
Other buffers	0.00%	0.00%
Total requirement	8.75%	12.25%

The table below sets out the Group’s capital position as of 30 September 2019, 31 December 2018 and 31 December 2017:

	30 September 2019		31 December 2018		31 December 2017	
	Phased in	Fully-loaded	Phased in	Fully-loaded	Phased in	Fully-loaded
CET1 ratio.....	15.4%	13.8%	15.4%	13.5%	14.6%	12.8%
T1 ratio.....	15.6%	14.0%	15.7%	13.7%	14.7%	13.0%
Total capital ratio	15.6%	14.0%	15.7%	13.7%	15.1%	13.3%

As of 30 September 2019, the RWAs of the Group amounted to €23,516 million (€22,871 million and €24,239 million as of 31 December 2018 and 2017, respectively).

Any failure by the Bank or by the Group to comply with its regulatory capital requirements could result in the imposition of administrative actions or sanctions, such as further P2Rs or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, which, together with Royal Decree 1012/2015 have implemented BRRD into Spanish law.

The Basel Committee is currently in the process of reviewing and issuing recommendations in relation to risk asset weightings, which may lead to increased regulatory scrutiny of risk asset weightings in the jurisdictions who are members of the Basel Committee. On 7 December 2017, the Group of Governors and Heads of Supervision (“**GHOS**”) of the Basel Committee on Banking Supervision (“**BCBS**”) published the finalization of the Basel III post-crisis regulatory reform agenda. This review of the regulatory framework among others,

covers credit, operational and credit valuation adjustment (“CVA”) risks, introduces a floor to the consumption of capital by internal ratings-based (“IRB”) methods and the revision of the calculation of the leverage ratio. The GHOS have extended the implementation of the revised minimum capital requirements for market risk until January 2022, to coincide with the implementation of the reviews of credit, operational and CVA risks. There is uncertainty with regards to how and when they will be implemented in the EU.

Leverage ratio

In addition to the above, Article 429 of the CRR requires institutions to calculate their leverage ratio (“LR”) in accordance with the methodology laid down in that article. The EU Banking Reforms contain a binding 3% Tier 1 LR requirement, that has been added to the own funds requirements in Article 92 of the CRR, and which institutions must meet in addition to their risk-based requirements. A new Article 141b of CRD IV Directive, included by the CRD V Directive, will restrict distributions in the form of dividends, variable remuneration and payments to holders of AT1 instruments above the LR related maximum distributable amount in case of a failure to meet the LR.

The table below sets out the Group’s LRs as of 31 December 2018 and 2017:

	31 December 2018		31 December 2017	
	Phased in	Fully-loaded	Phased in	Fully-loaded
Leverage ratio.....	6.3%	5.5%	6.2%	5.5%

Eligible liabilities

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of capital and eligible liabilities. The MREL shall be calculated as the amount of own funds and eligible liabilities and expressed as a percentage of the leverage ratio or the total risk exposure amount of the institution. The level of capital and eligible liabilities required under MREL is set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. The resolution authority for the Bank is the Single Resolution Board (the “SRB”). Eligible liabilities may be senior or subordinated liabilities, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIIs and “top tier” banks involving a minimum “Pillar 1” subordination requirement and an institution specific “Pillar 2” subordination requirement. This “Pillar 1” subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting “non-preferred” senior debt under the new insolvency hierarchy introduced into Spain will be eligible for compliance with the subordination requirement). Resolution authorities may also impose “Pillar 2” subordination requirements to institutions not constituting G-SIIs or “top tier” banks, which would be determined on a case-by-case basis but subject to a minimum level equal to the lower of 8% of a bank’s total liabilities and own funds and 27% of its RWAs.

In May 2019, the Bank received a formal communication from the Bank of Spain regarding the MREL requirement, as determined by the SRB. In accordance with such communication, the Bank has been required to reach, by 1 January 2022, an amount of own funds and eligible liabilities on a consolidated basis equal to 8.88% of its consolidated total liabilities and own funds as of 31 December 2017. This MREL requirement would be equal to 20.59% in terms of consolidated RWAs, as of 31 December 2017. The MREL requirement is aligned with the Bank’s expectations and the funding plan as described in its strategic plan.

According to the EU Banking Reforms, any failure by an institution to meet the applicable minimum MREL requirements will be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

Liquidity requirements

The Group should also comply with the liquidity coverage ratio (“**LCR**”) requirements provided in CRR. The LCR is the short-term indicator which expresses the ratio between the amount of available assets readily monetizable (cash and the readily liquidable securities held by the Group) and the net cash imbalance accumulated over a 30-day liquidity stress period. It is a quantitative liquidity standard designed to ensure that banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. Since 1 January 2018, the entities to which this standard applies (including the Group) must comply with 100% of the applicable LCR requirement. The LCR of the Group was 292% as of 30 September 2019 (468% and 701% as of 31 December 2018 and 2017, respectively).

The BCBS’ net stable funding ratio (“**NSFR**”) is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank’s regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The BCBS contemplated in the Basel III phase-in arrangements document that the NSFR, including any revisions, would be implemented by member countries as a minimum standard by 1 January 2018, with no phase-in scheduled. The EU Banking Reforms contain the implementation of the BCBS standard on NSFR introducing some adjustments. The NSFR of the Group was 135% as of 30 September 2019 (139% and 134% as of 31 December 2018 and 2017, respectively).

Loss absorbing powers by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation

The BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an “**institution**”) so as to ensure the continuity of the institution’s critical financial and economic functions, while minimising the impact of an institution’s failure on the economy and financial system.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution’s control.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the FROB, the SRB established pursuant to the SRM Regulation, as the case may be and according to Law 11/2015 or any other entity with the authority to exercise any such tools and powers from time to time (each, a “**Relevant Resolution Authority**”) as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business (which enables the Relevant Resolution Authority to direct the sale of the institution or the whole or part of its business on commercial terms); (ii) bridge institution (which enables the Relevant Resolution Authority to transfer all or part of the business of the institution to a “bridge institution” (an entity created for this purpose that is wholly or partially in public control)); (iii) asset separation (which enables the Relevant Resolution Authority to transfer certain categories of assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only)); and (iv) the Spanish Bail-in Power (as defined below). The Spanish Bail-in Power includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) certain unsecured debt claims and subordinated obligations (including capital instruments such as the Notes).

The “**Spanish Bail-in Power**” is any write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 instruments (which for so long as the obligations of the Bank in respect of the Notes qualify as Tier 2 Instruments (as defined in the Conditions), shall include the Notes); (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital and (v) the principal or outstanding amount of eligible liabilities in accordance with the hierarchy of claims in normal insolvency proceedings (with “non-preferred” senior claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other senior claims against the Bank) (following the entry into force of BRRD II (as defined below) Article 48 of BRRD now refers to “bail-inable liabilities”, defined as the liabilities and capital instruments that do not qualify as CET1, Additional Tier 1 or Tier 2 instruments of an institution and that are not excluded from the scope of the bail-in tool). The order of this sequence is consistent with the hierarchy of claims in normal insolvency proceedings prescribed by Law 22/2003, of 9 July, on Insolvency (the “**Insolvency Law**”) read in conjunction with Additional Provision 14.3° of Law 11/2015.

In addition to the Spanish Bail-in Power, the BRRD, Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write down or convert into equity capital instruments, such as the Notes, at the point of non-viability (“**Non-Viability Loss Absorption**”) of an institution or a group. The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or that it will no longer be viable unless the relevant capital instruments are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority in accordance with Article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in

combination with any exercise of any other Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

In accordance with Article 64.1(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other eligible liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

In addition to the guidance on bail-in provided by the European Banking Authority (the “EBA”) under the BRRD dated 5 April 2017, the EBA has published certain regulatory technical standards and implementing technical standards to be adopted by the European Commission, and certain other guidelines are pending. These acts could be potentially relevant to determining when or how a Relevant Resolution Authority may exercise the Spanish Bail-in Power and impose Non-Viability Loss Absorption. No assurance can be given that, once adopted, these standards will not be detrimental to the rights of a Holder of Notes under, and the value of a Holder’s investment in, the Notes.

New NPL coverage requirements

On 15 March 2018, the ECB published the addendum (the “**Addendum**”) to the ECB Guidance to banks on NPLs published on 20 March 2017 (the “**NPL Guidance**”). The Addendum specifies the ECB’s supervisory expectations for prudent levels of provisions for new NPLs. The ECB will assess any differences between banks’ practices and the prudential provisioning expectations laid out in the Addendum at least annually, which will be discussed during the supervisory dialogue. After this dialogue and taking into account the bank’s specific situation, ECB Banking Supervision will decide, on a case-by-case basis, whether and which supervisory measures are appropriate. The result of this dialogue will be incorporated, for the first time, in the 2021 ECB’s SREP. In addition, in a press release dated 11 July 2018, the ECB announced that, in order to address the stock of NPLs and with the aim of achieving the same coverage of NPL stock and flow over the medium term, it would set bank-specific supervisory expectations for the provisioning of NPLs. Such supervisory expectations for NPL provisioning, which are part of the ongoing supervisory dialogue, will add more pressure on financial results.

Furthermore, as part of the EU Commission’s package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 of the European Parliament and of the Council of 17 April 2019 amends CRR as regards minimum loss coverage for non-performing exposures (“**NPEs**”), introducing a clear set of conditions for the classification of NPEs. This regulation establishes clear criteria on the determination of NPEs, the concept of forbearance measures, deduction for NPEs and treatment of expected loss amounts. On 22 August 2019, the ECB revised the Addendum after taking into account the entry into force of Regulation 2019/630 in order to make the treatment of NPEs more consistent.

TAXATION

The following is a general description of certain Spanish tax considerations relating to the Notes. It does not purport to be a complete analysis of all tax considerations relating to the Notes whether in those countries or elsewhere. Prospective purchasers of Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Notes and receiving payments of interest, principal and/or other amounts under the Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.

Also investors should note that the appointment by an investor in Notes, or any person through which an investor holds Notes, of a custodian, collection agent or similar person in relation to such Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.

Spanish tax considerations

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the Notes by individuals or entities who are the beneficial owners of the Notes. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or Holders by reason of employment) may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the Notes are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the Notes should consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of the Notes.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- (a) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011 of 29 July (“**Royal Decree 1065/2007**”);
- (b) for individuals resident for tax purposes in Spain who are personal income tax (“**PIT**”) taxpayers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the “**PIT Law**”), and Royal Decree 439/2007, of 30 March, approving the PIT Regulations, as amended (the “**PIT Regulations**”), along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax (“**CIT**”) taxpayers, Law 27/2014, of 27 November, on CIT, as amended (the “**CIT Law**”), and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the “**CIT Regulations**”); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax (“**NRIT**”) taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended (“**NRIT Law**”) and Royal Decree 1776/2004, of 30

July, promulgating the NRIT Regulations, as amended (“**NRIT Regulations**”) along with Law 19/1991, of 6 June, on Wealth Tax as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.

Tax treatment of the Notes

Indirect taxation

Whatever the nature and residence of the Holder, the acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e. exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

Unicaja Banco understands that the Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to Article 91 of the PIT Regulations and Article 63 of the CIT Regulations.

Direct taxation

(a) Individuals with tax residency in Spain

Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in each investor’s savings income and taxed at the tax rate applicable from time to time, currently 19% for taxable income up to €6,000; 21% for taxable income between €6,000.01 and €50,000 and 23% for taxable income in excess of €50,000.

Income from the transfer of the Notes is computed as the difference between their transfer value and their acquisition or subscription value. Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income.

Negative income derived from the transfer of the Notes, in the event that the investor had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

A (current) 19% withholding on account of PIT will be applied by Unicaja Banco on interest payments as well as on income derived from the redemption or repayment of the Notes, by individual investors subject to PIT.

However, income derived from the transfer of the Notes should not be subject to withholding on account of PIT provided that the Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, 19% withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (i) the acquirer would be a non-resident or a CIT taxpayer;

(ii) the explicit yield derived from the Notes being transferred is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by Unicaja Banco against his or her final PIT liability for the relevant tax year.

Reporting Obligations

Unicaja Banco will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are individuals resident in Spain for tax purposes.

Wealth Tax (*Impuesto sobre el Patrimonio*)

According to Wealth Tax regulations (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*), individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the Notes which they hold as of 31 December in each year, the applicable rates ranging between 0.2% and 2.5% although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

Such individuals are required to file a Wealth Tax return if (i) their tax liability, once the corresponding reductions, deductions or exemptions have been applied, is due; or (ii) no tax liability is due but the value of their assets or rights, determined in accordance with the rules set out in the Wealth Tax regulations, exceeds €2,000,000.

In accordance with Article 3 of Royal Decree-Law 27/2018, of 28 December, a full exemption on Net Wealth Tax (*bonificación del 100%*) would apply as from the year 2020 and therefore, Spanish individual holders will be released from formal and filing obligations in relation to this Wealth Tax, unless the exemption is revoked in the future.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals with tax residency in Spain who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. The applicable rates range between 7.65% and 81.6%, although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

(b) *Spanish tax resident legal entities*

Corporate Income Tax (*Impuesto sobre Sociedades*)

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to CIT at the current general flat tax rate of 25%.

However, this general rate will not be applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30%).

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the Notes, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide Unicaja Banco, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

With regard to income derived from the transfer of the Notes, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the Notes obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market, such as AIAF.

Reporting Obligations

Unicaja Banco will comply with the reporting obligations set forth in the Spanish tax laws with respect to beneficial owners of the Notes that are legal persons or entities resident in Spain for tax purposes.

Wealth Tax (*Impuesto sobre el Patrimonio*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes are not subject to Spanish Wealth Tax.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but generally must include the market value of the Notes in their taxable income for CIT purposes.

(c) Individuals and legal entities that are not tax resident in Spain

- (i) Investors that are not resident in Spain for tax purposes, acting in respect of the Notes through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

If the Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See “—*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*”.

Ownership of the Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

Reporting Obligations

Unicaja Banco will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the Notes through a permanent establishment in Spain.

- (ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the Notes through a permanent establishment in Spain

Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)

Both interest payments periodically received under the Notes and income derived from the transfer, redemption or repayment of the Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the Notes, through a

permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the Notes carried out by Unicaja Banco, the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide Unicaja Banco, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in Article 44 of Royal Decree 1065/2007. See “—*Compliance with Certain Requirements in Connection with Income Payments*”.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to Unicaja Banco in a timely manner in respect of a payment of interest under the Notes, Unicaja Banco will withhold Spanish withholding tax at the applicable rate (currently 19 per cent.) on such payment of income on the Notes and Unicaja Banco will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement to Unicaja Banco, will receive a refund of the amount withheld, with no need for action on the beneficial owner’s part, if Unicaja Banco receives a duly executed and completed Payment Statement no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

Wealth Tax (*Impuesto sobre el Patrimonio*)

According to Wealth Tax regulations, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2% and 2.5% although some reductions may apply.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the Notes which income is exempt from NRIT as described above.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax.

Individuals that are not resident in Spain for tax purposes but who are resident in an EU or EEA Member State may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

Such individuals are required to file a Wealth Tax return if (i) their tax liability, once the corresponding reductions, deductions or exemptions have been applied, is due; or (ii) no tax liability is due but the value of their assets or rights, determined in accordance with the rules set out in the Wealth Tax regulations, exceeds €2,000,000.

According to article 3 of Royal Decree-Law 27/2018 of 28 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply as from year 2020. Therefore, as from such year, individuals will be released from formal and filing obligations in relation to Wealth Tax, unless the exemption is revoked or postponed, as in previous years.

Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If no treaty for the avoidance of double taxation in relation to Inheritance and Gift Tax applies, applicable Inheritance and Gift Tax rates would range between 7.65% and 81.6%, depending on relevant factors.

Generally, non-Spanish tax resident individuals are subject to Inheritance and Gift Tax according to the rules set forth in the Spanish state level or relevant autonomous region law. As such, prospective investors should consult their tax advisers.

Non-Spanish resident legal entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to NRIT. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

(d) Compliance with certain requirements in connection with income payments

As described under “*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*”, “*—Individuals and legal entities that are not tax resident in Spain*”, provided the conditions set forth in Law 10/2014 are met, income payments made by Unicaja Banco in respect of the Notes for the benefit of Spanish CIT taxpayers, or for the benefit of non-Spanish tax resident investors will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide Unicaja Banco, in a timely manner, with a duly executed and completed statement (a “**Payment Statement**”) (which is attached as Annex I), in accordance with section 4 of Article 44 of Royal Decree 1065/2007 containing the following information:

- (i) Identification of the Notes.
- (ii) Total amount of the income paid by Unicaja Banco.
- (iii) Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.
- (iv) Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to Unicaja Banco in a timely manner in respect of a payment of income made by Unicaja Banco under the Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19%. If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to Unicaja Banco no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

Prospective investors should note that Unicaja Banco does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear

Members in connection with each payment of income under the Notes. Accordingly, Unicaja Banco will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to Unicaja Banco. Moreover, Unicaja Banco will not pay any additional amounts with respect to any such withholding tax.

The proposed financial transactions tax (“FTT”)

On 14 February 2013, the European Commission published a proposal (the “**Commission’s proposal**”) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”). However, Estonia has ceased to participate.

The Commission’s proposal has very broad scope and could, if introduced, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under the Commission’s proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, “established” in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a “foreign financial institution” may be required to withhold on certain payments it makes (“**foreign passthru payments**”) to persons that fail to meet certain certification, reporting, or related requirements. The Bank may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Bank) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (“**IGAs**”), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining “foreign passthru payment”. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no person will be required to pay additional amounts as a result of the withholding.

Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding

English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.

The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus

ANNEX I

Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007

Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Don (nombre), con número de identificación fiscal () (1), en nombre y representación de (entidad declarante), con número de identificación fiscal () (1) y domicilio en () en calidad de (marcar la letra que proceda):

Mr. (name), with tax identification number () (1), in the name and on behalf of (entity), with tax identification number () (1) and address in () as (function – mark as applicable):

- (a) **Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
(a) Management Entity of the Public Debt Market in book-entry form.
- (b) **Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
(b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) **Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
(c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) **Agente de pagos designado por el emisor.**
(d) Issuing and Paying Agent appointed by Unicaja Banco.

Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:

Makes the following statement, according to its own records:

1. En relación con los apartados 3 y 4 del artículo 44:

1. In relation to paragraphs 3 and 4 of Article 44:

1.1 Identificación de los valores.....

- 1.1 Identification of the securities.....
- 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
.....
- 1.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados)**
- 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated)
- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados).**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2 En relación con el apartado 5 del artículo 44.**
- 2 In relation to paragraph 5 of Article 44.
- 2.1 Identificación de los valores**
- 2.1 Identification of the securities.....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados)**
.....
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated)
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados)**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated).....
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A.**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B.**

2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B.

2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C.

2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C.

Lo que declaro en.....a ... de.....de ...

I declare the above in on the ... of of ...

(1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia

(1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.

SUBSCRIPTION AND SALE

The Joint Lead Managers have, in a subscription agreement dated 7 November 2019 (the “**Subscription Agreement**”) and made between Unicaja Banco and the Joint Lead Managers upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscribers, or subscribe and pay for the Notes on the Issue Date at their issue price of 100% of their principal amount. Unicaja Banco has agreed to pay the Joint Lead Managers a combined fee and to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the Notes.

Unicaja Banco will use all reasonable endeavours to procure that the Notes are admitted to listing on AIAF within 30 days from the Issue Date and to maintain such admission until none of the Notes is outstanding.

Selling Restrictions

Prohibition of Sales to EEA retail investors

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the EEA. For the purposes of this provision the expression “retail investor” means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

Spain

Each Joint Lead Manager has represented and agreed that the Notes have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law, and related legislation, to provide investment services in Spain, and as agreed between the Bank and the Joint Lead Managers, offers of the Notes in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

United Kingdom

Each Joint Lead Manager has further represented, warranted and undertaken that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services Market Act (FSMA)) received by it in connection with the issue or sale of the Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

United States of America

The Notes have not been and will not be registered under the U.S. Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the U.S. Securities Act.

General

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the Notes.

Persons into whose hands this Prospectus comes are required by the Bank and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver Notes or possess, distribute or publish this Prospectus or any other offering material relating to the Notes, in all cases at their own expense.

MARKET INFORMATION

Summary of clearance and settlement procedures

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry securities such as the Notes of Unicaja Banco.

The Spanish clearing, settlement and recording system of securities transactions has undergone a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects (the “**Reform**”). Following the Reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities.

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., “**BME Clearing**” or the “**CCP**”), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

Iberclear and BME Clearing

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Book-Entry Public Debt Market, the Alternative Stock Market (MAB), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses the technical platforms named ARCO.

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. (“**BME**”), a holding company, which holds a 100% interest in each of the Spanish official secondary markets and settlement systems. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

The securities recording system of Iberclear is a two tier registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorised to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorised central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorised to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities’ proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;

- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions. BME Clearing is also owned by BME.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner's request the relevant participating entity must issue a legitimization certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

Market Information in relation to the Notes

Iberclear settlement of securities traded in AIAF

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

Securities traded in AIAF are fixed income securities, including corporate bonds (for example, medium term Notes and mortgage bonds) and bonds issued by the Spanish Treasury and Spanish regions, among others, represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a “transaction-to-transaction” cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

Euroclear and Clearstream

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with participating entities in Iberclear.

GENERAL INFORMATION

Responsibility statement

Unicaja Banco and the undersigned, Mr. Ángel Rodríguez de Gracia, in his capacity as Chief Executive Officer (*Consejero Delegado*) of Unicaja Banco, and acting under a special power of attorney granted by the Board of Directors of Unicaja Banco, accept responsibility for the information contained in this Prospectus and declare, to the best of their knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus contains no omissions likely to affect its import.

Authorization

The creation and issue of the Notes has been authorised by means of the resolutions adopted by (i) the general shareholders' meeting of the Bank on 27 April 2018 and (ii) the Board of Directors of the Bank dated 25 October 2019.

Significant/material change and trend information

Since 31 December 2018 there has been no material adverse change in the prospects of the Bank.

Since 30 September 2019 there has been no significant change in the financial performance or in the financial position of the Group.

Auditors

The individual and consolidated annual accounts of the Bank have been audited without qualification for each of the years ended 31 December 2018 and 31 December 2017 by PricewaterhouseCoopers Auditores, S.L., independent auditors. PricewaterhouseCoopers Auditores, S.L.'s office is at Paseo de la Castellana, 259 B, Torre PwC, 28046 Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*) under number S0242.

Third party information

Information included in this Prospectus sourced from a third party (i.e. the Bank of Spain, CNMV and Inverco) has been accurately reproduced, and so far as Unicaja Banco is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Approval of financial information

The 2017 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of Unicaja Banco held on 27 April 2018.

The 2018 Consolidated Annual Accounts were approved by the General Shareholders' Meeting of Unicaja Banco held on 25 April 2019.

Documents on display

Electronic copies of the bylaws (*estatutos sociales*) of Unicaja Banco (as the same may be updated from time to time) may be inspected on Unicaja Banco's website.

For avoidance of doubt, unless specifically incorporated by reference into this Prospectus, the information contained on the corporate website of Unicaja Banco does not form part of this Prospectus.

Material contracts

There are no material contracts that are not entered into in the ordinary course of Unicaja Banco's business which could result in any member of the Group being under an obligation or entitlement that is material to Unicaja Banco's ability to meet its obligations in respect of the Notes.

Yield

On the basis of the issue price of the Notes of 100% of their principal amount, the annual yield of the Notes is for the period from (and including) the Issue Date to (but excluding) the Reset Date is 2.875%. This yield was calculated on the Issue Date and is not an indication of future yield.

Clearing: ISIN and Common Code

The Notes will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The Notes bear the ISIN ES0280907017 and the common code 207969460.

Listing

This Prospectus has been approved by the CNMV as competent authority under the Prospectus Regulation. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the Bank or the quality of the Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the Notes.

Application has been made for the Notes to be admitted to trading on AIAF. AIAF is a regulated market for the purposes of MiFID II. The Notes may also be admitted to trading on any other European regulated market or multilateral trading facility as may be agreed by Unicaja Banco.

Paying agency

All payments under the Conditions will be carried out directly by Unicaja Banco through Iberclear. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

Ratings

The Notes are rated BB+ by Fitch and Ba3 by Moody's.

In accordance with Fitch's ratings definitions, a rating of "BB+" indicates an elevated vulnerability to credit risk, particularly in the event of adverse changes in business or economic conditions over time; however, business or financial alternatives may be available to allow financial commitments to be met.

In accordance with Moody's ratings definitions, obligations rated "Ba3" are judged to be speculative and are subject to substantial credit risk.

Stabilisation

In connection with the issue of the Notes, UBS Europe SE (the "**Stabilisation Manager(s)**") (or persons acting on behalf of any Stabilisation Manager(s)) may over allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Notes and 60 days after the date of the allotment of the Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and any other applicable laws and rules.

Interests of natural and legal persons involved in the offer of the Notes

Save as discussed in "*Subscription and Sale*", so far as Unicaja Banco is aware, no person involved in the offer of the Notes had an interest material to the offer.

Other relationships

Certain Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Unicaja Banco and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Unicaja Banco or its affiliates. Certain Joint Lead Managers or their affiliates that have a lending relationship with Unicaja Banco routinely hedge their credit exposure to Unicaja Banco consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the Notes issued under the Prospectus. Any such short positions could adversely affect future trading prices of Notes issued under the Prospectus. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

Expenses related to the admission to trading

For informative purposes only, an approximate estimate of the expenses payable by Unicaja Banco in relation to the admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear	8,500
CNMV fees (listing)	30,000
Total.....	38,500

SIGNATURES

In witness to its knowledge and approval of the contents of this Prospectus drawn up according to Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed by Mr. Ángel Rodríguez de Gracia, in his capacity as Chief Executive Officer (*Consejero Delegado*) of Unicaja Banco, S.A., in Málaga (Spain), on 13 November 2019.

REGISTERED OFFICE OF UNICAJA BANCO

Unicaja Banco, S.A.
Avenida de Andalucía 10-12
29007 Málaga
Spain

STRUCTURING ADVISER AND LEAD MANAGER

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60306 Frankfurt am Main
Germany

JOINT LEAD MANAGERS

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8 Canada Square
London E14 5HQ
United Kingdom

**Mediobanca – Banca di Credito
Finanziario S.p.A.**
Piazzetta Enrico Cuccia 1
20121 Milan
Italy

**Morgan Stanley & Co. International
plc**
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom

LEGAL ADVISERS

*To Unicaja Banco as to Spanish law and as to
English law*

Linklaters, S.L.P.
Calle Almagro, 40
28010 Madrid
Spain

*To the Joint Lead Managers as to Spanish law and as to
English law*

Clifford Chance, S.L.P.U.
Paseo de la Castellana, 110
28046 Madrid
Spain

AUDITORS TO UNICAJA BANCO

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Paseo de la Castellana, 259 B
Torre PwC
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Spain