

Procedures established for the identification, measurement, management, control and internal communication of the risks to which the Company is or may be exposed

The risk management and control system implemented by Grupo Unicaja Banco is organized according to the following basic lines:

- A governance and organization system of the risk function, based on the active participation and oversight of the Senior Management, which approves the Company's general business strategies and policies, and sets the general lines of risk management and control at the Company.
- A Risk Appetite Framework (RAF), configured within the Group as an essential instrument in the implementation of the risk policy.
- A model of prudent management of the risk exposures, where Grupo Unicaja Banco pays close attention to keep permanently a prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity, and resulting in a solid and coherent risk culture.
- A selection of appropriate methodologies for the identification, measurement, management and control of risks, in a continuous improvement process and in line with the regulatory requirements, adapting, at the same time, the own funds requirements to the real risk level arising from the banking activity.
- A supervision model based on three lines of defense, as per the expectation of the supervisory and regulatory authorities.

At Grupo Unicaja Banco, the policies, methods and procedures related to global risk control and management are approved and regularly reviewed by the Board of Directors.

The risk control and management model requires a sound and effective organizational structure. For that purpose, the Company counts on the effective involvement of the Board of Directors and of the Senior Management, and on an appropriate implementation in all the Organization.

Based on the applicable regulatory framework, Unicaja Banco's organizational structure has a Corporate Directorate of Global Risk Control (CRO - Chief Risk Officer), depending on the General Directorate of Control, Strategy and Relations with Supervisors, functionally separated from the areas which generate exposures. The functions of the CRO include assuming control - from a global perspective- of the totality of the risks incurred by the Company. The organization of the Senior Management at Grupo Unicaja Banco has a perfectly defined internal structure which provides support and allows for the materialization of the different decisions adopted.

➤ **Risk Appetite Framework**

The Group's risks control and management are arranged, inter alia, through the Risk Appetite Framework, approved by the Company's Board of Directors.

Grupo Unicaja Banco uses the RAF as an instrument for the implementation of the Group's risk policy and as a key management and control tool which enables: (i) the statement of the risk appetite; (ii) the definition of the Group's risk objectives in line with the corporate strategy, acting as a guiding reference of the activities carried out; (iii) the formalization of the risk supervision and surveillance mechanism, so as to ensure compliance with the risk appetite; (iv) the integration under a common framework of all the risk control and management procedures and (v) the reinforcement and dissemination of the risk culture.

The development of this Framework as the Group's general risk policy is configured as an essential element in the Company's management and control, providing the Board of Directors and the Senior Management with the integral framework which determines the risks that the Company is willing to assume in order to achieve its business goals. This Framework also establishes different metrics for the quantification, control and monitoring of risks, which allow to react to different levels or situations. These metrics define the objective behavior of Grupo Unicaja Banco, are crosscutting to the whole the organization, and allow to disseminate the risk appetite culture across all the levels in a systemized and easy to understand manner. They also summarize the Group's objectives and limits, therefore being useful for communication, when needed, to stakeholders, and they are homogeneous, as they are applied throughout the organization.

The Group has a procedure for the identification of material risks which establishes the methodologies for the quantification of all the risks the Company is exposed to. It defines a criterion for the selection of those risks which are material and, therefore, must be managed and controlled in a more intensive manner. This management and control involves, among other things, the allocation of internal capital within the Internal Capital Adequacy Assessment Process (ICAAP) or, in the case of liquidity risk, the allocation of a liquidity management buffer, assessed within the Internal Liquidity Adequacy Assessment Process (ILAAP). The process of quantification and identification of material risks is carried out recurrently, allowing the Company to identify emerging risks at any time.

On the basis of this process, within the Risk Appetite Framework, the risk appetite and tolerance is established at least for each one of the material risks, through a qualitative statement. Risk indicators or metrics are selected, and a calibration methodology is defined to set objective thresholds, early warnings and limits.

The Corporate Directorate of Global Risk Control carries out the monitoring of compliance with the Risk Appetite Framework through the existing metrics for each kind of risk. Its monitoring is submitted to the Senior Management and Governing Bodies.

Finally, the Company integrates the Risk Appetite Framework with the Business Plan, ICAAP, ILAAP, the corporate risk policies and the Recovery Plan, inter alia.

➤ **Risk management and control model**

The risk management and control model adopted by the Institution considers, inter alia, the following risks:

- Credit risk
- Market risk
- Operational risk
- Interest Rate Risk in Banking Book (IRRBB)
- Business and strategic risk
- Real estate risk
- Liquidity risk

- Credit risk

Credit risk is defined as the risk of incurring losses as a consequence of the failure to make the repayments due to the Company. This risk is inherent to the Company's daily operations.

- Market risk

Market risk is defined as the possibility of losses for the Company due to holding positions in markets as a consequence of adverse movements in the financial variables or risk factors which determine the value of the said positions.

- Operational risk

This is defined as risk of losses arising from inadequate or failed internal systems, processes or people, or from external events. Operational risk includes reputational, model, technological, conduct, legal and tax risk, and excludes strategic risk.

- Interest Rate Risk in the Banking Book (IRRBB)

Interest Rate Risk in the Banking Book (IRRBB) refers to the possibility of incurring losses in the Company's earnings or capital as a consequence of adverse movements of interest rates on the banking book positions.

- Business and strategic risk

It is defined as the risk of incurring losses arising from the wrong analysis of the market where the company operates, due to lack of knowledge or inability to achieve the business goals, even threatening the viability and sustainability of the Company's business model.

- Real estate risk

This is the risk associated to the loss of value of real estate assets held in the Company's balance sheet.

-Liquidity risk

A financial institution's liquidity risk refers to the risk that a company is unable to meet its obligations when they become due or that can meet them only with at an unbearable cost for the Company.

Further information on the above mentioned topics is available on the Bank's corporate website (www.unicajabanco.com), under:

- Information of Prudential Relevance
- Annual accounts and half-year reports
- Annual Corporate Governance Report