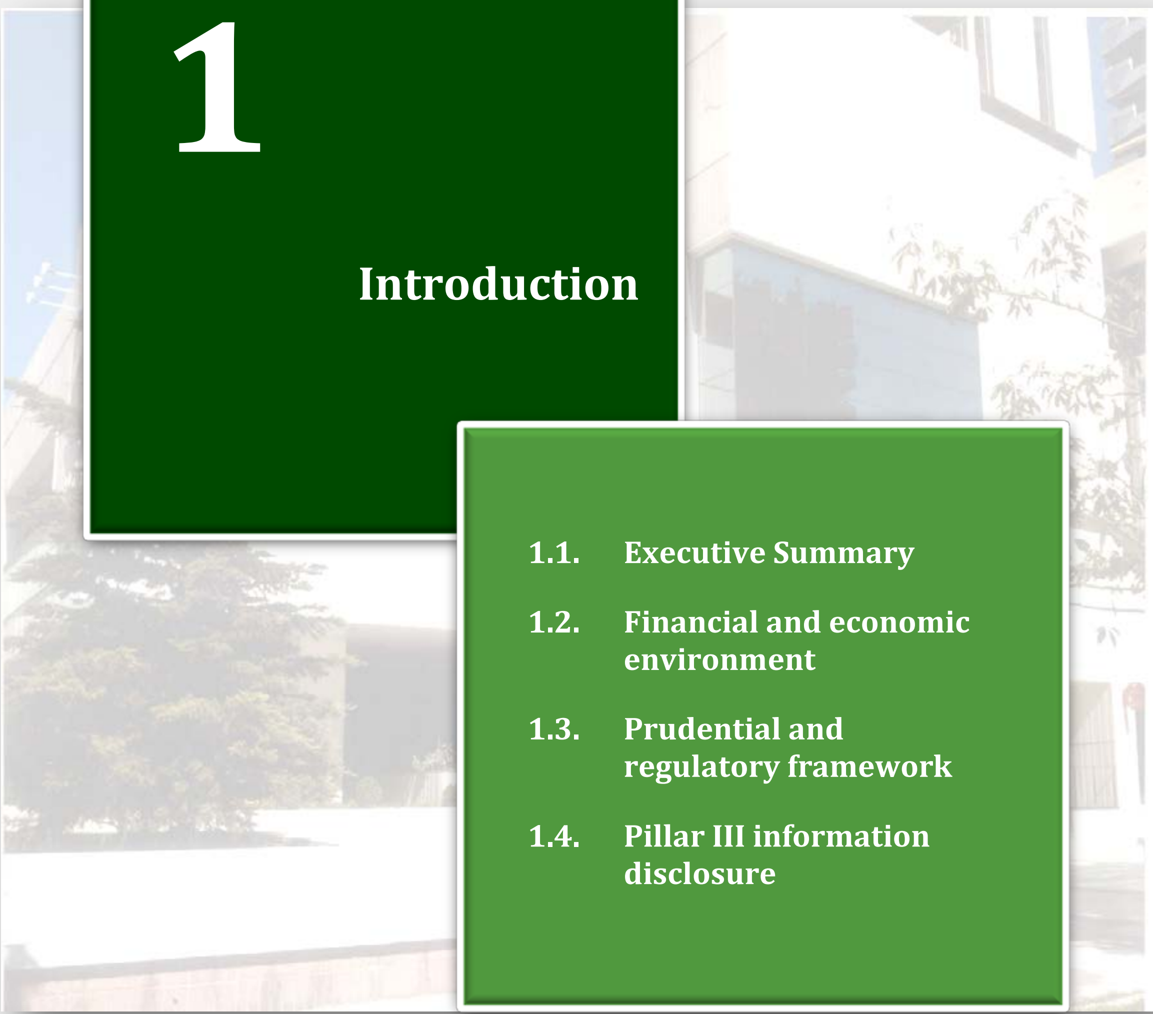
Pillar 3 Disclosure

Unicaja Banco Group

December 2017

This document is a free translation of the Pillar 3 disclosure originally issued in Spanish. In the event of a discrepancy, the Spanish language version prevails

Unicaja Banco



1 Introduction

1. INTRODUCTION

1.1 Executive Summary

The objective of Pillar 3 disclosure information is to comply with the transparency and market information requirements of Unicaja Banco Group, established in Part Eight of the Regulation of the European Union nº 575/2013 (hereinafter Regulation or CRR), of the Parliament European Parliament and of the Council, on the prudential requirements of credit institutions and investment banks. Regulation (EU) 575/2013 and Directive 2013/36 / EU (hereinafter Directive or CRD), of the European Parliament and of the Council, on access to the activity of credit institutions and their prudential supervision, constitute the solvency and supervision regulations applicable to European credit institutions.

The Regulation in Part Eighth Title I, establishes that credit institutions must publish relevant information at least once a year, to market participants so that they know their risk profile, within the framework of Pillar III of the Basel Capital Accord.

With the objective of complying with current legislation on disclosure, Unicaja Banco Group has developed this report, which includes the required information.

Unicaja Banco Group maintains its vocation of regional leadership in Andalucía and Castilla y León. As of December 31, 2017, the Group has a network of 1,228 branches: 1,227 offices in Spain, throughout over 38 provinces and in Ceuta and Melilla; and 1 correspondent office in the United Kingdom.

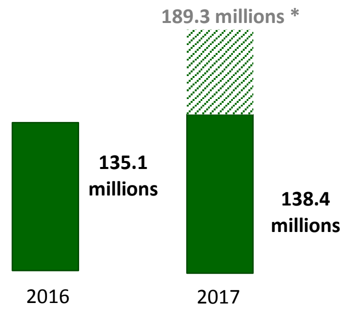
Unicaja Banco Group develops its activity in commercial, retail and corporate banking, applying solid risk management and control standards, and finances its credit activity mainly attracting customer deposits and, to a lesser extent, through the issuance of long-term mortgage bonds. Credit risk and liquidity risk are, as in any credit institution focused on commercial banking, the main risks that the Group must manage.

The most important aspects of the Unicaja Bank Group in the year 2017 are described below:

1.1.1. High capacity for profit generation

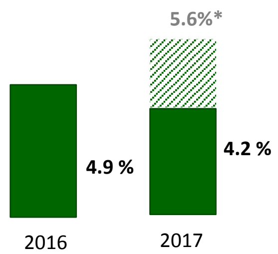
The Unicaja Banco Group maintained high levels of profit generation in 2017, which allow it to reach a net profit figure of 138.4 million euros. This translates into a return on equity (ROE) of 4.2%. This result records the impact of the re-ordering of the Group's bancassurance activity; without this impact, the net result would have amounted to 189.3 million euros, which would have meant a ROE of 5.6%.

Illustration 1. Profit evolution



* Without taking into account bancassurance restructuring.

Illustration 2. ROE evolution



* Without taking into account bancassurance restructuring.

The main factors that allow high levels of generation of results are::

- (i) a solid interest margin, supported, on the one hand, by the increase in operations that boost revenues and, on the other, by the sharp reduction in retail and wholesale financing costs, which improved by 6.1% in the last quarter;
- (ii) commission income higher than that obtained in the previous year;
- (iii) decrease in operating expenses, within the framework of a policy to improve efficiency and achieve the synergies expected;
- (iv) the reduction of credit reorganization needs (both due to the fall in the volume of non-productive assets and the high levels of coverage maintained), and
- (v) the progressive improvement of results from the management of real estate assets, achieved with a significant increase in net outflows of non-productive assets (NPAs), amounting to 1,201 million euros in 2017, 362 million of which correspond to the fourth quarter.

1.1.2. Soundness of the banking business: credit boost and growth of resources

The commerce dynamics, focused on the optimization of profitability levels, has allowed continuing increasing business volumes, both in terms of formalization of credit operations and of retained resources.

In this sense, on the one hand, note the momentum registered in the granting of new loan operations to companies and individuals, with new formalizations amounting to 3,080 million euros, 814 million more than in 2016.

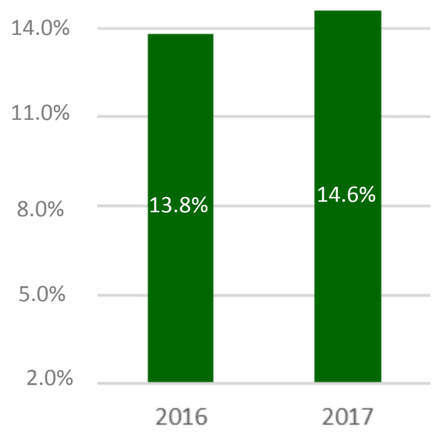
On the other hand, in 2017, growth rate is maintained for resources of customers with lower financial cost and customers that, due to their nature, bring more fee income to the Entity, increasing the balance of private sector deposit accounts (13.2% year-on-year) and off-balance sheet products (9.1%).

1.1.3. Strength in Solvency

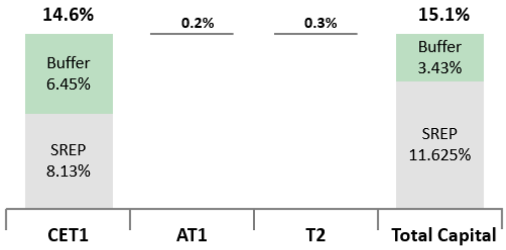
The maintenance of the Unicaja Banco Group's ability to generate results and the Bank's recent flotation on the stock exchange also translate into a strengthening of solvency levels and the quality of capital.

As of December 31, 2017, the Unicaja Banco Group has a Tier 1 ordinary capital ratio (CET1) of 14.6% and a total capital ratio of 15.1%. This represents an increase, in relation to the closing of 2016, of 0.8 percentage points in CET1 and 0.9 percentage points in total capital, basically due to the capital increase, and subsequent acquisition from the FROB of the contingent convertible bonds issued by *Banco de Caja España de Inversiones, Salamanca and Soria*, SA (hereinafter EspañaDuero), and the yearly earnings, which has offset the application of the "phase in", and the purchase of the shares of EspañaDuero held by the FROB.

Illustration 3. Evolution and composition of capital CET 1



The previous levels of capital ratios far exceed the requirements established by the ECB for 2018 under the SREP, which place the CET1 ratio at 8.125% and the total capital at 11.625%. Thus, the Group, at the end of 2017, has a surplus of 6.45 p.p. on the requirements of CET1 and of 3.43 p.p. on the total capital requirements, which highlights the high capitalization and low risk profile of the entity.



In terms of fully loaded (once the transitory period of application of solvency regulations has ended), Unicaja Banco presents a CET1 ratio of 12.8% and a total capital of 13.3%. This represents an increase of 1.0 p.p. in the CET1 ratio and 0.9 p.p. in total capital, in relation to December 2016.

31/12/2017		
	Phase in	Fully Loaded
CET 1	14.6%	12.8%
Total Capital (%)	15.1%	13.3%
Requirement SREP 2018 CET -1	8.13%	N.A
Requirement SREP 2018 Total Capital	11.63%	N.A
Excess CET 1 capital over SREP 2018	6.4%	N.A
Excess Total Capital over SREP 2018	3.4%	N.A

1.1.4. Comfortable levels of liquidity

The Unicaja Banco Group maintains solid and excellent levels of liquidity, as well as a high degree of financial autonomy.

The available liquid assets (public debt for the most part) and rediscountable to the ECB, net of the assets used, rise to 14,177 million euros at the end of the year, representing 25.2% of the Group's total balance. This significant volume of liquid assets allows to comfortably managing the upcoming maturities of market issues.

1.1.1. Fall of non-productive and high coverage assets

With respect to the risk management carried out by Unicaja Banco Group, in 2017, the process of reducing non-productive assets (NPAs) (doubtful plus foreclosed real estate), which were reduced by a total of 1,201 million euros (-20.8%) during the year, with net decreases of 505 million euros in doubtful assets (-15.7%) and 696 million euros in foreclosed assets (-27.1%) , with respect to the end of 2016. Thus, the Group's balance of doubtful assets at the end of 2017 stood at 2,710 million euros, accumulating a fall of more than 2,100 million since the end of 2014. Compared to December 2016, the rate of delinquency has fallen by 1.1 percentage points to stand at 8.7%.

Likewise, Unicaja Banco Group maintains high levels of coverage that are among the highest in the sector: the coverage of its non-productive assets stands at 56% at the end of December 2017; 50% for doubtful risks and 64% for foreclosed real estate assets. Thus, the balance of non-productive assets, net of provisions, stands at the figure of 2,030 million euros, representing 3.6% of the Group's assets at the end of 2017, with a decrease of 0.9 p.p. with respect to the previous year.

Finally, the Texas ratio, which measures the percentage that represents the sum of doubtful assets and foreclosed assets on the sum of i) provisions of doubtful assets ii) provisions of foreclosed assets and iii) capital, improves to 72.4%. This ratio, the smaller it is, the better balance sheet and solvency situation it shows. In the case of the Unicaja Banco Group, the ratio shows a reduction of 22.3 p.p. with respect to the end of 2016 and 4.2 p.p. in the quarter, which reaffirms the quality of the balance sheet and the solvency of the Group.

1.1.2. Other actions in year 2017

In the year 2017, Unicaja Banco successfully completed its IPO, with a positive evolution of its price per share during the year, close to 20% (the share was revalued 19.4% to 1,314 euros, according to the last business date of the year). In June, the entity was listed in the four Spanish Stock Exchanges, as well as in the Continuous Market. In December, Unicaja Banco was included in the Ibex Medium Cap Index, as well as in the general indexes of the Madrid Stock Exchange and the Barcelona Stock Exchange.

In addition, in 2017 Unicaja Banco carried out other milestones foreseen in its roadmap. On the one hand, the reorganization of its life insurance business, in its interest to continue strengthening the life and pensions insurance line included in its 2017-2020 Business Plan, which has led to the start of a new alliance with the insurer Santalucía in the life and pensions field. On the other hand, the full and anticipated return to the FROB of the public subsidies granted to its subsidiary EspañaDuero, before the acquisition by Unicaja Banco, within its restructuring plan. It is also worth noting the acquisition of the entire participation that, on a temporary basis, the FROB held in EspañaDuero.

Unicaja Banco continued moving forward during 2017 in the process of operational integration of its subsidiary EspañaDuero and in October, it agreed to initiate the procedures for its future merger with the subsidiary, as it appears in the strategic objectives of its Business Plan. Thus, at the end of January 2018 the Boards of Directors of the parent company and the subsidiary have approved the corresponding joint project for the merger by absorption of EspañaDuero by Unicaja Banco, which will generate synergies, improve efficiency and benefits for customers, shareholders and employees, strengthening its closeness and connection with the territory.

1.2 Financial and economic environment

The first few months of the new year continue pointing to a relatively positive economic situation in the international arena, as well as in the national space. The information published in the month of January has supported the notable advance of the activity in the last months of 2017, highlighting in the international arena the improvement of the perspectives that emerge from the last update of the world forecasts, by the IMF, as well as the optimism of the main international leaders in the Davos Forum. At national level, the estimates of the National Quarterly Accounting of the INE show that the slowdown in the fourth quarter was only one tenth (compared to the previous quarter), which would imply an annual growth of 3.1% over the whole year 2017.

According to the projections made by the specialists of the International Monetary Fund, the rate of progress of the Spanish economy in 2017 would have surpassed that of the advanced economies as a whole (2.3%), although it is lower than the world GDP, whose growth rate estimated it would have reached 3.7%, the highest rate of the last five years. The consolidation of the activity expansion, which is perceived in most of the main geographical areas, is supported by the maintenance of accommodative monetary policies and very favorable financial conditions, with a less restrictive fiscal policy.

These signs of reactivation have been accompanied by a strengthening of world trade, with a growth rate that, unlike what has been observed in recent years (post-Great Recession period), is greater than the increase in GDP. Although possibly the best surprise of the recent juncture has been the acceleration of the European economy, and in particular of the Euro Zone, which in addition to reducing the dispersion among countries within the EMU, shows a growth of 2.7% year-on-year (provisional to the fourth quarter) and presents contained inflation levels (1.4% in December).

In this context, the perspectives of the IMF for the next two years, 2018 and 2019, maintain a quite positive scenario for the world economy, which could grow close to 4% and continue to strengthen the recovery. The main advanced economies, including the whole Euro Zone, Japan and the USA, will experience in 2018 a faster than expected rate of progress this autumn (previous revisions published in October 2017). The review has been notorious in the case of the United States. (0.4 p.p. more), because their economy will benefit from the tax reform. Meanwhile, regarding the risks, the Fund considers that they are balanced in the short term, but highlights as aspects to monitor a possible correction in financial markets and political and geopolitical conflicts.

In the case of Spain, the IMF expects real GDP to increase by 2.4% in 2018, one tenth less than forecasted in the previous estimate, due to the impact on confidence and demand of the increase in political uncertainty. On the contrary, for 2019 it is revised one tenth upward, up to 2.1%. In this regard, the report that accompanies the forecasts indicates that the growth rates of many of the economies of the Euro Zone have been revised upward, especially those of Germany, Italy and the Netherlands, thanks to the rebound of domestic and external demand. In contrast, growth in Spain, which would have been well above potential, has been corrected downward (one tenth) in 2018.

This slowdown could start being felt in the labor market, although the general evolution continues to be favorable. Thus, in the fourth quarter of 2017, the results of the Labor Force Survey (EPA), published by the INE, indicate that the creation of employment in the Spanish economy slowed in the last quarter of the year to 2.6%, a rate two tenths lower than that of the previous quarter. Unemployment increased in the last quarter of the year, for seasonal reasons, with the unemployment rate standing at 16.6%, 2.1 points below the rate at the end of 2016.

In any case, other indicators of activity continue showing a very solid ascending profile, without signs of recession being observed. In this regard, it should be noted, along with the synthetic indicator of activity, prepared by the Ministry of Economy, the expansion trend exhibited by the Business Turnover Index (ICNE), which has been accelerating in recent months, on the occasion of the best trajectory of the trade index, as well as industrial orders and industrial production, without forgetting the rebound in the use of installed productive capacity (79.1% in the fourth quarter of 2017).

The expansive phase of the cycle, apart from the spending control policies, is allowing a reduction in the levels of public debt, not only in Spain, but also in the whole EMU. Thus, with data for the third quarter of 2017, public debt fell in the whole Euro Zone to 88.1% of GDP, compared to the 89.7% from a year earlier. The highest levels of public debt with respect to GDP in the third quarter of 2017 correspond to Greece (177.4%), Italy (134.1%) and Portugal (130.8%), and the lowest to Estonia (8.9%), Luxembourg (23.4%) and Bulgaria (25.6%). In the case of Spain, the indebtedness of the Public Administrations as a whole would reach 98.7%, which means a reduction of 1.2 p.p. from the level of one year earlier.

Also, the budget drafts for 2018 project a new reduction of the deficit of the PAs of the EMU to 0.9% of GDP, after the 1.1% estimated for 2017. Public debt will also be reduced this year, expected to stand at 86% of GDP, compared to the estimated 88% for 2017. In structural terms, the public balance would hardly change in 2018, so the tone of fiscal policy remains practically neutral, a sign considered appropriate by the European Commission.

1.3 Prudential and regulatory framework

With the publication, in December 2010, of the global regulatory framework for international capital standards (Basel III), by the BCBS, the requirements established in the previous frameworks were reinforced (Basel I, Basel II), in order to increase the quality, consistency and transparency of the capital base and improve the risk coverage.

On June 26, 2013, the Basel III legal framework was incorporated into European legislation through Directive 2013/36/EU (known as CRD IV), regarding access to the activity of credit institutions and investment companies, and the prudential supervision of these entities, amending Directive 2002/87/EC and Directives 2006/48/EC and 2006/49/EC are repealed; and Regulation (EU) No. 575/2013 (known as CRR), on the prudential requirements of credit institutions and investment firms, amending Regulation (EU) No. 648/2012.

The regulatory framework established by Basel is based on three pillars: Pillar I, which defines the minimum capital requirements, and can use internal ratings and models for the calculation of risk-weighted exposures; Pillar II, which establishes a supervisory review system for capital adequacy based on the risk profile and the internal management the risks; and Pillar III, which refers to information disclosure and market discipline.

The final review of the Basel III framework, published by the Basel Committee in December 2017, aims to restore the credibility of the calculation of risk-weighted assets (RWA) and improve the comparability of bank capital ratios as follows:

- Improving the soundness and sensitivity to risk of the standard methods for credit risk, credit valuation adjustment risk (CVA) and operational risk;

- Restricting the use of methods based on internal models, by introducing limits on some of the parameters used to calculate the capital requirements in the internal ratings based (IRB) method for credit risk and eliminating the use of methods based on internal models for CVA risk and operational risk;

• Introducing a buffer of the leverage ratio to further limit leverage in global systemically important banks (G-SIB); and

• Substituting Basel II's current minimum floor over the bottom floor with a more robust risk-sensitive floor based on Basel III's revised standard methods.

At the national level, CRD IV was transposed through Law 10/2014, on regulation, supervision and solvency of credit institutions, and its subsequent regulatory development through Royal Decree 84/2015, of February 13, 2015, which is another step in terms of access to the activity, solvency requirements and supervision regime of these entities; and Circular 2/2016 of the Bank of Spain, on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36 / EU and Regulation (EU) No. 575/2013.

This Royal Decree 84/2015 aims not only at the completion of the regulatory development of Law 10/2014, but also at the recasting into a single text of those regulations on the organization and discipline of credit institutions. The main aspects contemplated are access, suitability and corporate governance requirements. Likewise, entities are required to carry out a self-assessment process of their capital levels, taking into account the nature, scale and complexity of their activities, as well as clarifying the capital buffer regime. The "capital buffers" that it establishes are:

• Capital conservation buffer: it begins to be applied, in a phased manner way, starting in 2016.

• Counter-cyclical capital buffer: it is specific for each entity; it starts to be applied in a phased manner starting in 2016.

• Buffers for entities of global systemically important banks (G-SIB) and other systemically important banks (O-SIB).

• Buffer against systemic risks: it will be set to cover non-cyclical systemic or macroprudential risks.

The Bank of Spain has decided to keep at 0% the value of the countercyclical capital buffer applicable to credit exposures in Spain of Spanish credit institutions during the second quarter of 2017. This macroprudential policy decision is adopted in the framework of the powers granted to the Bank of Spain by Law 10/2014, on regulation, supervision and solvency of credit institutions, and by Royal Decree 84/2015 and *Circular del Banco de España 2/2016*, which develop it.

Finally, the scope of the supervisory function of the Bank of Spain and the collaboration framework with other supervisors is developed, in particular, with the ECB within the Single Supervisory Mechanism (SSM).

On February 5, 2014, the Circular Banco de España 2/2014, of January 31, was published, whereby, in accordance with the powers granted by Regulation (EU) No.575/2013 to the competent national authorities, the Bank of Spain made use of some of the permanent regulatory options provided for in the aforementioned Regulation, and which was subsequently modified, during the transitional period, by Circular 3/2014, of July 30, of the Bank of Spain. These circulars allow a progressive adaptation of the regulations through a calendar of gradual implementation of the same.

Additionally, the Bank of Spain published, on February 9, 2016, Circular 2/2016, which completes the adaptation of the Spanish legal system to European regulations. This Circular repeals for the most part Circular 3/2008 (in force for questions relating to minimum own resources and mandatory referral information of reciprocal guarantee companies of Circular 5/2008), on determination and control of own resources; as well as a section of Circular 2/2014, referring to the exercise of various regulatory options contained in the CRR.

Lastly, on November 23, 2016 the European Commission published a draft of the new CRR and CRD IV where it incorporates different Basel standards such as the Fundamental Review of the Trading Book for Market Risk, the Net Stable

Funding Ratio for liquidity risk or the SA-CCR for the calculation of the EAD for counterparty risk. Likewise, it introduces modifications related to the treatment of the central clearing houses, the MDA, Pillar II and the leverage ratio, among others.

1.3.1. Solvency

The CRR and the CRD IV involve the transposition of the solvency regulation, known as Basel III, to European regulations. The purpose of this regulation is to regulate the levels of capital and the composition of own resources with which credit institutions must operate, since it establishes computable own resources and additional capital buffer requirements above the minimum regulatory levels.

In order to guarantee the implementation of the new regulations in a homogeneous manner throughout the European Union, the European Banking Authority (EBA) publishes a series of more specific guidelines in which it develops specific aspects of the CRR.

In this regard, in December 2016 the EBA published the Final Report on the Guidelines on disclosure requirements under Part Eight of Regulation 575/2013. These guidelines are based on the update of the Pillar III requirements published by the Basel Committee in January 2015 and has the objective to improve and increase the consistency and comparability of institutional disclosures and ensure market discipline.

1.3.2. Liquidity ratios

Regulation (EU) No 575/2013 in its Sixth Part Title I introduces the Liquidity Coverage Ratio (LCR). Its objective is for entities to have a diversified reserve of liquid assets that can be used to satisfy their liquidity needs in the event of a short-term liquidity crisis (Articles 411-426).

The European Commission published in October 2014 the Delegated Regulation (EU) 2015/61, which complements Regulation (EU) No 575/2013, with regard to the liquidity coverage requirement applicable to credit institutions. This regulation applies since February 6, 2015.

Likewise, in the Sixth Part Title III, of the aforementioned Regulation, the Net Stable Funding Ratio (NSFR) is established as a complementary measure to the liquidity ratio. Its objective is for institutions to adopt a stable longer-term financing structure (Articles 427-428).

In June 2015, the Basel Committee on Banking Supervision (BCBS) published final standards specifying disclosure requirements NSFR. The objective was to improve the transparency of regulatory financing requirements, strengthen the principles for the adequate management and supervision of liquidity risk, strengthen market discipline and reduce uncertainty in the markets. These requirements will be applicable no later than January 1, 2018.

In November 2016, the EBA published the final document "Guidelines on ICAAP and ILAAP information collected for SREP purposes". These Guidelines definitively fix a common approach and specify what information about ICAAP and ILAAP should be collected by the competent authorities.

In accordance with the regulations described, entities must determine what information is being disclosed about liquidity, including content, granularity, frequency and references. On the other hand, it must evaluate the impact of the information disclosed in the capital and financing objective in the liquidity profile. Likewise, deviations must be explained between the information disclosed, the internal information (ICAAP-ILAAP) and the information reported to the competent authorities.

Likewise, in order to continue developing the liquidity regulations, the EBA published two consultations in 2016 so as to determine the disclosure of the Liquidity Coverage Ratio (LCR) and the asset encumbrance. Finally, on March 8, 2017, the final document on disclosure of the Liquidity Coverage Ratio (LCR) was published. On the other hand, the European Commission consulted on the definition and development of the NSFR that served as preparation for the proposal of the Commission to modify the CRR, which includes a proposal to implement the NSFR in Europe.

In June 2017, the EBA published the Guidelines on the disclosure of the liquidity coverage ratio in order to complement the information on liquidity risk management in accordance with Article 435 of Regulation (EU) No. No. 575/2013.

1.3.3. Leverage ratio

Regulation (EU) No 575/2013, in its Seventh Part, article 429, defines the Leverage Ratio (LR) in order to limit the excess leverage in the financial system and complement the requirements with a measure of risk calculated on gross exposure.

In January 2014, the final version of the "Basel III: leverage ratio framework and disclosure requirements" was published, with the aim of increasing the prudence of the entities in their financing structures, limiting excessive leverage and thus avoiding the destabilization of the economy and the banking system.

The European Commission published in October 2014 the Delegated Regulation (EU) 2015/62 by which it amends Regulation (EU) No 575/2013 of the European Parliament and the Council concerning the leverage ratio.

Finally, on February 15, 2016, the Regulation (EU) 2016/2004 was published, establishing technical execution rules regarding the publication of entity’s leverage ratio, in accordance with the Regulation (EU) No. 575/2013.

The final calibration of the leverage ratio has been published in the final revision of the Basel III framework, defined as a minimum leverage ratio of 3%.

This ratio will not be mandatory until the beginning of 2018, although its publication is required from 2015.

1.3.4. Bank restructuring and resolution

In 2014, with regard to the creation of the European Banking Union, Directive 2014/59/EU of the European Parliament and of the Council, of May 15, 2014 was approved, which establishes a framework for the restructuring and resolution of credit institutions and European investment services.

The purpose of this Directive 2014/59 is to harmonize the procedures to resolve the crises of financial institutions in Europe, minimizing the cost for the taxpayer. Likewise, it provides the Competent Authorities with a series of credible instruments to intervene sufficiently early and quickly in an entity with solid or unviable problems, adopt the restructuring or resolution measures deemed appropriate and protect financial stability in all Member States affected.

The Directive includes the obligation of entities to maintain a Minimum Requirement for own funds and Eligible Liabilities (MREL) to guarantee their capacity to absorb losses. This minimum requirement will be established for each entity by the Resolution Authority and will reflect the resolution strategy that has been considered appropriate for the entity, in accordance with its resolution plan.

Member States shall ensure that entities comply at all times with the minimum requirement for own funds and eligible liabilities. The minimum requirement will be calculated as the amount of own funds and eligible liabilities expressed as a percentage with respect to the Bank's total liabilities and equity.

The MREL requirement came into force in January 2016. However, taking into account the great impact of this requirement on banks, the EBA has proposed a transitional period for full compliance with these requirements.

On June 18, 2015, *Ley 11/2015, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión* was published. The main aspects considered are, on the one hand, the creation of the National Resolution Fund and, on the other hand, the establishment of the instruments that can be used in resolution. The rules for internal recapitalization came into effect on January 1, 2016.

Since January 1, 2016, the National Resolution Fund is called to integrate with the rest of the National Funds of the Member States of the Euro Zone during a 8-year transitory phase in a European-scale fund (Single European Resolution Fund). Spanish credit institutions will make their contributions to this European Fund, and the National Resolution Fund will remain only for investment services companies. The SRF should reach its funding target by 2023.

On March 14, 2016, Regulation (EU) 2016/445, of the European Central Bank, on the exercise of options and powers offered by Union law was published. The European Central Bank assumes the powers and obligations granted to the competent authorities in accordance with the applicable law of the Union and, in particular, is empowered to exercise the options and powers offered by Union law.

Finally, in July 2016, the Commission published Delegated Regulation 2016/1075, on the restructuring and resolution plans, in accordance with the Bank Recovery and Resolution Directive (BRRD). This regulation details the content that the plans must have and the minimum criteria that the competent authority must evaluate, establishing the banking resolution framework, from the planning stage of the restructuring and resolution of an entity, through the early action phase, to when the resolution measure is adopted.

1.3.5. Single Supervisory Mechanism and Single Resolution Mechanism

As a step prior to the entry into force of the Single Supervisory Mechanism (hereinafter SSM), European credit institutions, in the context of the evaluation process of the "Comprehensive Assessment" based on the revision of the AQRs and the stress test, have undergone a rigorous evaluation of their solvency by the ECB, in collaboration with the national supervisors and the European Banking Authority (hereinafter EBA).

As of November 4, 2014, the MUS was established, consisting of the European Central Bank (hereinafter ECB) and the competent national authorities of the participating European Union countries, among which is the Bank of Spain. It was constituted as the new system of financial supervision of credit institutions in the euro zone, based on principles and rules jointly agreed by different European bodies.

The MUS, and particularly the ECB, assumed the supervisory functions, including the authorization, revocation or imposition of sanctions on credit institutions, which traditionally had been carried out by national authorities.

The ECB therefore assumed the supervision of the entire banking system, exercising direct supervision over the most significant entities and indirect supervision over the least significant ones.

The relevance of the MUS implementation for Spain was seen in the fact that 14 groups of credit institutions were identified as significant, representing more than 90% of the assets of the system, among which was Unicaja Banco Group.

During 2015 the MUS developed the first exercise of the Supervisory Review and Evaluation Process (SREP), although it was in 2016 when it applied the final SREP methodology published by the EBA in December of 2014.

In addition, the MUS has carried out during 2016 a great effort aimed, on the one hand, at the harmonization of supervisory policies between countries and, on the other, at the transparency of its expectations.

Regarding the Single Resolution Mechanism (SRM), it is responsible for preparing for the possibility of entry into resolution, in order to ensure that the situation can be resolved in an orderly manner with minimum costs for contributors. From January 1, 2016 the MUR is in force, and enters a period of progressive mutualisation until the year 2022.

1.4 Pillar III information disclosure

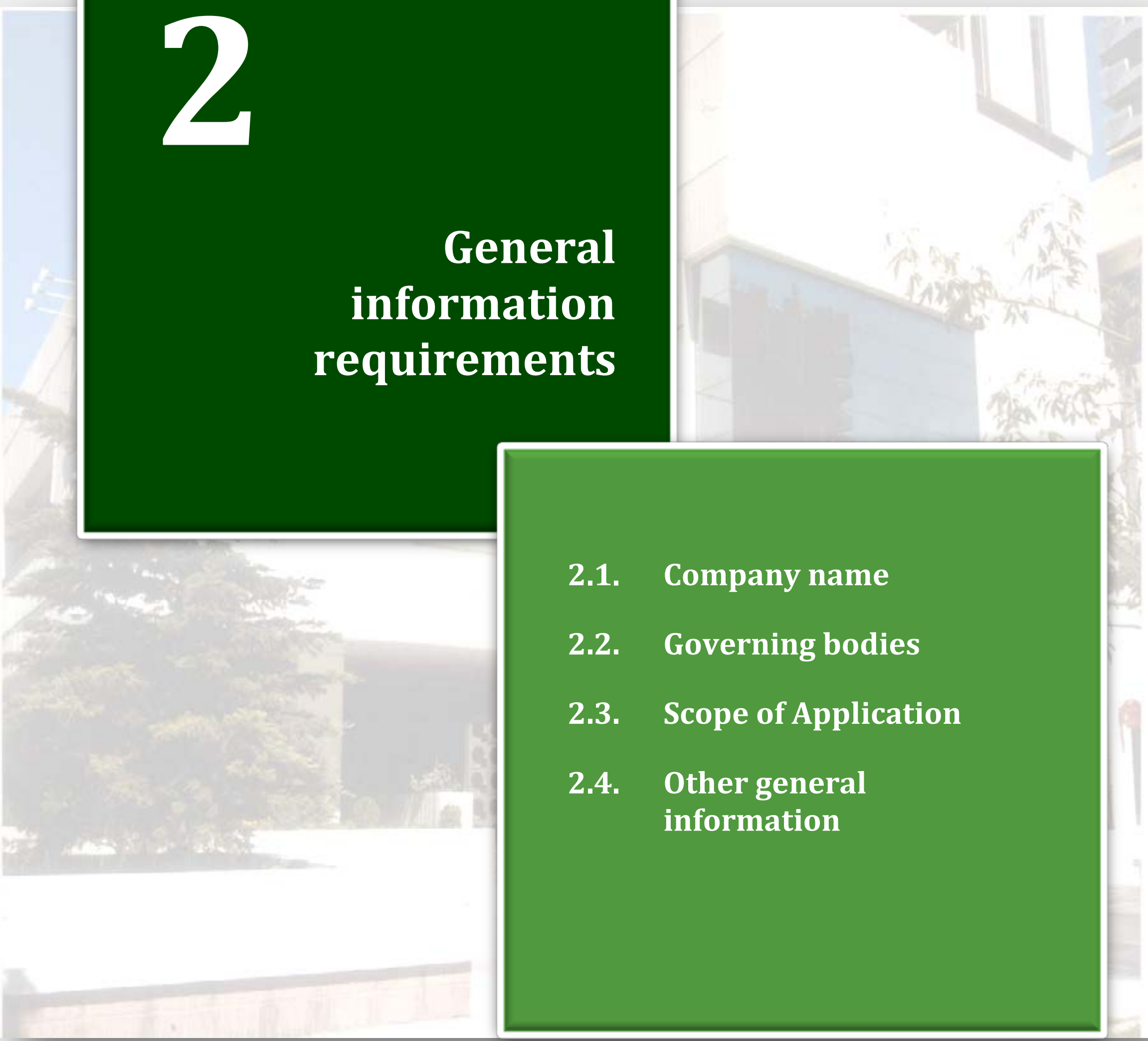
This report intends to comply with the Part Eight Title I of Regulation (EU) No. 575/2013, which establishes that entities will make public the relevant information for the adequacy of their risk profile.

In addition, the European Banking Authority (EBA) published the "Guidelines on Materiality, Ownership and Confidentiality and Disclosure Frequency" in December 2014. These guidelines define the processes and criteria that the entities must follow to identify material, confidential or reserved information for the purposes of Pillar III.

In January 2015, the Basel Committee on Banking Supervision (BCBS) approved the "Revised disclosure requirements for the third pillar" framework with the objective of providing significant information on capital and exposures to risk to markets, and improving the comparability and consistency of information among entities. In this regard, in March 2016, the BCBS published a consultative document on Pillar III "Disclosure requirements - consolidated and enhanced framework", which incorporates proposals for improvement of the aforementioned standard published in January 2015.

The last regulatory update in this matter has been the EBA's publication in December 2016 of the "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No. 575/2013". These guidelines include best practices for entities to comply with the CRR and the Basel Committee, and will be applicable as of December 31, 2017.

In accordance with the information disclosure policy of Unicaja Banco Group, this report, prior to its publication, has been verified by Internal Audit and, with the favorable report from the Audit and Compliance Committee, and has been approved by the Board of Directors as of March 21, 2018.



2 General information requirements

2. GENERAL INFORMATION REQUIREMENTS

2.1 Company name

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Entity or the Bank) is a credit institution established for an unspecified period of time on December 1, 2011. The beginning of its activity occurs as a result of the approval by the General Board of *Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera y Jaén* - Unicaja (currently the *Fundación Bancaria Unicaja*) of the indirect exercise of financial activity through a bank.

As of December 31, 2017, after completing the IPO, 49.68% of the Bank's share capital belongs to *Fundación Bancaria Unicaja*, the Bank's last dominant entity and parent company of the Unicaja Group.

Unicaja Banco Group holds 76.68% of the equity of *Banco de Caja España de Inversiones, Salamanca y Soria, S.A.* (hereinafter, *EspañaDuero*), a financial institution constituted for an unspecified period of time on November 24, 2011 and through which *Caja España de Inversiones, Salamanca and Soria, Caja de Ahorros y Monte de Piedad* carried out the indirect exercise of the financial activity through a bank, under Law 26/2013, of December 27.

The acquisition process of EspañaDuero by the Unicaja Banco Group culminated in the takeover of the latter, which occurred with accounting effects as of March 28, 2014.

Also, Unicaja Banco S.A. is the head of a group of subsidiaries engaged in various activities, which constitute the Unicaja Banco Group. The detail of the subsidiaries that make up the Group can be found in the notes to the consolidated annual accounts.

Unicaja Banco S.A. is an entity subject to the regulations of banking entities operating in Spain. Additional public information about the Entity can be consulted both on the Bank's official website (www.unicajabanco.es) and at its registered office (*Avenida Andalucía, 10 and 12, Málaga*).

2.2 Governing bodies

The major bodies that make up the corporate governance system are detailed in accordance with article 435.2 of the CRR, as well as the policies implemented to ensure the suitability of its members:

2.2.1. Board of Directors

Functions

The Board of Directors has the broadest powers for the administration and management of the Company and, except in matters legally or statutorily reserved for the competence of the General Board, it is the highest decision-making body of the Company.

In any case, it corresponds to the Board of Directors, through the adoption of agreements that must be approved in each case, the treatment of the following matters of its exclusive competence:

(a) The preparation of the annual accounts, the management report and the proposed application of the Company's results, as well as, where applicable, the consolidated annual accounts and management report;

(b) The approval of the Annual Report on Corporate Governance, for its presentation to the General Meeting, and approval of the Report on the remuneration of Directors;

(c) The announcement of the General Meeting;

(d) the appointment of Directors by co-option and submission of proposals to the General Meeting regarding the appointment, ratification, re-election or removal of Directors, as well as the acknowledgment of the resignation of Directors, all in accordance with the provisions of the Articles of Association and this Regulation;

(e) The appointment and renewal of the internal positions of the Board of Directors and its Committees;

(f) The declaration on any public offer of acquisition that is formulated on securities issued by the Company;

(g) The delegation of powers to any of its members, as well as the revocation thereof in the terms established in the Law, in the Articles of Association and this Regulation;

(h) The annual evaluation, in accordance with the provisions of the Law, Articles of Association and this Regulation, and prior to the mandatory reports, of the performance and activity of the Board itself, its Chairman and its Committees;

(i) The distribution among the Directors of the remuneration corresponding to their condition , taking into account for that purpose the functions and responsibilities attributed to each Director, the membership of Commissions and other objective circumstances that considered relevant, all in accordance with the remuneration policy approved by the General Board;

(j) The prior approval of the contracts to be concluded between the Company and the Directors to whom executive functions are attributed, including the concepts by which it may obtain remuneration for the performance of the mentioned functions, and the of the remuneration to be received under the mentioned contracts, always in accordance with the provisions of the Law and the remuneration policy approved by the General Board;

(k) The approval of the Company's general policies and strategies, particularly:

> (i) The strategic or business plan, as well as the management objectives and annual budget;
>
> (ii) The investment and financing policy;
>
> (iii) The definition of the Group's structure;
>
> (iv) The corporate governance policy;
>
> (v) The corporate social responsibility policy;
>
> (vi) The remuneration and performance evaluation policy for Senior Executives;
>
> (vii) The dividend policy, as well as the treasury stock policy and, especially, its limits; and
>
> (viii) The risk control and management policy, including fiscal risk, as well as the periodic monitoring of the internal information and control systems.

(l) The adoption of the following decisions:

> (i) The financial information that the Company must make public periodically, if necessary;
>
> (ii) Investments or operations of any kind that, due to their high amount or special characteristics, have a strategic nature or special fiscal risk, unless their approval corresponds to the General Board; and
>
> (iii) the creation or acquisition of shares in special-purpose entities or entities domiciled in countries or territories that are considered tax havens, as well as any other transactions or operations of a similar nature that, due to their complexity, could undermine the Group's transparency .

(m) the examination and approval of the operations that the Company carries out with Directors, Senior Executives, significant shareholders or shareholders represented on the Board, or with persons related to them ("related operations"), following a favorable report from the Audit and Compliance Committee;

(n) The authorization or waiver of the obligations derived from the duty of loyalty provided for by law (except when the decision on the authorization or dispensation corresponds legally to the General Board);

(o) The approval and modification of this Regulation; and

(p) The rest non-delegable powers of the Board, as set forth in the corporate legislation, in the specific legislation for credit institutions, the Articles of Association and this Regulation.

Composition

As of December 31, 2017, the Board of Directors was composed of 13 members, appointed by the Entity's Annual General Meeting

The Board consists of persons who meet the suitability requirements necessary for the exercise of the position. In particular, they have recognized commercial and professional honorability, have adequate knowledge and experience to carry out their duties and are in a position to exercise good governance of the Entity. In addition, the general composition of the Board as a whole is appropiate.

Hereafter comprise the composition of the Board of Directors as of December 31, 2017:

Table 1. Composition of the Board of Directors

Composition	
Position	%
% of executive counselors	31%
% of dominical counselors	23%
% of independent counselors	38%
% of other external	8%
Number of meetings (2017)	22

Table 2. Miembros del Consejo de Administración

Name	Position	Category
Mr. Manuel Azuaga Moreno	Chairman	Executive
Mr. Enrique Sánchez del Villar Boceta	CEO	Executive
Mr. Manuel Atencia Robledo	Vice-chairman	Executive
Mr. Juan Fraile Cantón	Vice-chairman	Dominical
Mrs. Petra Mateos-Aparicio Morales	Member (coordinating Counselor)	Independent
Mr. Agustín Molina Morales	Secretary Counselor	Dominical
Mr. Eloy Domínguez-Adame Cobos	Member	Independent
Mr. Guillermo Jiménez Sánchez	Member	Independent
Mrs. Mª Luisa Lombardero Barceló	Member	Executive
Mr. Antonio López López	Member	Other external
Mrs. Isabel Martín Castellá	Member	Independent
Mr. José Mª de la Torre Colmenero	Member	Dominical
Mr. Victorio Valle Sánchez	Member	Independent

Functioning

The Board of Directors convenes in ordinary meeting with the periodicity provided by law and whenever it is deemed appropriate by its Chairman, who has the power to convene it, on his own initiative or at the request of at least one third of the Directors. The coordinating Counselor is specially empowered, among other actions, to request a meeting of the Board.

The Board of Directors has four committees of supervision, information, counselling and proposal in the areas of its competence: Audit and Compliance Committee, Appointments, Remuneration and Risks, which composition, functions and performance are summarized below .

2.2.2. Audit and Compliance Commission

Functions

The Audit and Compliance Committee exercises functions related to internal information and control systems, external auditing, compliance with corporate governance rules and regulatory compliance.

Specifically, the following functions correspond to the Audit and Compliance Committee:

- With regard to the internal information and control systems:
  - Supervise the preparation process and the integrity of the financial information relating to the Entity and the Group, reviewing compliance with regulatory requirements, the proper delimitation of the consolidation perimeter and the correct application of the accounting criteria, as well as communicate the proposals of modification of accounting principles and criteria proposed by management. In particular, review, analyze and comment the financial statements and other relevant financial information with senior management, internal and external auditors, to confirm that such information is reliable, understandable, and relevant, and that

accounting criteria is consistent with the last year-end closing.

- Ensure the independence of the internal audit function; propose the selection, appointment, re-election and removal of the person responsible for the internal audit service; propose the budget for that service; approve the orientation and its work plans, making sure that its activity is focused mainly on the relevant risks of the Entity; receive periodic information about their activities; and verify that the Senior Executives take into account the conclusions and recommendations of their reports.
- Establish and supervise a mechanism that allows employees to report, confidentially and, if possible and considered appropriate, anonymously, irregularities of potential importance, especially financial and accounting irregularities that are noticed within the company.

▪ With regard to the external auditor:

- In case of resignation of the external auditor, examine the circumstances that may have motivated it.
- Ensure that the remuneration of the external auditor for their work does not compromise their quality or independence.
- Supervise that the Entity communicates the change of auditor as a relevant event to the CNMV and makes a statement regarding the possible existence of disagreements with the outgoing auditor and, if existing, their content.
- Ensure that the external auditor holds an annual meeting with the full Board of Directors to inform of the work performed and the evolution of the accounting and risk situation of the Entity.
- Ensure that the Company and the external auditor respect current regulations on the provision of services other than auditing, the limits on the concentration of the auditor's business and, in general, other rules on independence of the auditors.

▪ With regard to compliance with corporate governance rules:

- Supervision of compliance with the internal codes of conduct and the rules of corporate governance of the Entity.
- Supervision of the communication strategy and relationship with shareholders and investors, including small and medium shareholders.
- The periodic evaluation of the adequacy of the corporate governance system of the Entity, so that it fulfills its mission of promoting the corporate interest and takes into account, if appropriate, the legitimate interests of the other interest groups.
- The revision of the corporate responsibility policy of the Entity, ensuring that it is aimed at value creation.
- The monitoring of the corporate social responsibility strategy and practices, and the evaluation of their degree of compliance.
- The supervision and evaluation of the relationship processes with the different interest groups.
- The evaluation of anything related to the non-financial risks of the company, including operational, technological, legal, social, environmental, political and reputational risks.
- The coordination non-financial and diversity information reporting process, in accordance with applicable regulations and international reference standards.

▪ With regard to regulatory compliance:

- Ensure compliance with applicable regulations, national or international, in anti-money laundering related matters, conduct in securities markets, data protection and prevention of criminal risk, among others; monitoring the main legal risks applicable to the Company in those matters of its competence;

- Know the degree of regulatory compliance on the part of the various units and departments of the Company as well as the corrective measures recommended by the internal audit in previous actions, reporting to the Board of those cases that may pose a significant risk to the Company;
- Examine the draft ethical and conduct codes and their respective modifications, if any, and issue their opinion prior to submitting proposals to the Board of Directors;
- Supervise compliance with the Internal Code of Conduct in the Field of the Securities Market and the development of the functions attributed to the Regulatory Compliance Unit and know the reports and proposals submitted to it by this Unit;
- Approve the annual work plan for Regulatory Compliance, and the Annual Activity Report, receive periodic information on its activities, address the information requirements and verify that senior management takes into account the conclusions and recommendations of their reports.

Composition

The Audit and Compliance Committee consists of a minimum of 3 and a maximum of 5 counselors, appointed by the Board of Directors, and must be counselors who do not perform executive functions in the Entity. Most of them and, in any case, the President, must be independent. All its members, and especially its president, are appointed taking into account their knowledge and experience in accounting, auditing, or risk management.

Hereinafter is the composition of the Audit and Compliance Committee as of December 31, 2017:

Table 3. Members of the Audit and Compliance Committee

Counselor	Position	Category
Mr. Eloy Domínguez-Adame Cobos	Chairman	Independent
Mr. Agustín Molina Morales	Member	Dominical
Mr. Victorio Valle Sánchez	Member	Independent
Mrs. Isabel Martín Castellá	Member	Independent
Mr. Juan Fraile Cantón	Secretary counselor	Dominical

Table 4. Composition of the Audit and Compliance Committee

Composition	
Position	%
% of executive counselors	-
% of dominical counselors	40%
% of independent counselors	60%
% of other external	-
Number of meetings (2017)	19

Functioning

The Audit and Compliance Committee meets, at least, quarterly and, in addition, each time it is convened by its Chairman, or at the request of two of its members.

The Chairman of the Commission reports the decisions adopted, in the first plenary session of the Council after the meeting of the Commission.

Annually, the Commission presents an action plan for the year to the Board of Directors.

Also, annually, the Commission submits a report to the Board on its operation.

2.2.3. Appointments Committee

Functions

The Appointments Committee has, among other functions, to propose and report on appointments and dismissals of Directors and Senior Executives.

Specifically, the Appointments Committee has, among others, the following functions:

- Evaluate the competences, diversity, knowledge and experience required in the Board of Directors. For this purpose, the functions and necessary aptitudes that the candidates must cover will be defined and the precise dedication to the good performance of its mission will be evaluated.
- Identify and recommend, through the corresponding report, in the case of executive counselors and dominical counselors, or propose, in the case of independent counselors, candidates to fill vacant positions on the Board, towards their approval by the Board of Directors or by the General Board.
- Evaluate periodically, and at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations to it, regarding possible changes.
- Evaluate periodically, and at least once a year, the suitability of the various members of the Board of Directors and of it as a whole, and inform the Board accordingly.
- Ensure that non-executive counselors have sufficient time available for the proper performance of their duties.
- Report the proposals for the appointment and removal of Senior Executives, as well as the basic conditions of their contracts.
- Examine and organize the succession of the Chairman of the Board of Directors and, if there is one, of the first executive of the Company, formulating proposals to the Board, so that such succession takes place in an orderly and planned manner.
- Review annually the compliance with the policy for the selection of counselors and report this in the Annual Corporate Governance Report.
- Periodically review the policy of the Board of Directors regarding the selection and appointment of Senior Executives and make recommendations.
- Establish a representation objective for the less represented gender in the Board of Directors and prepare guidelines on how to achieve this objective.
- Report the appointments of the Vice-chairmen of the Board, the Chief Executive Officer, the Coordinating counselor and the Chairmen of the Committees.
- Report the appointment and removal of the Secretary and Deputy Secretary of the Board of Directors.

In the exercise of its functions, the Appointments Committee takes into account, insofar as possible and continuously, the need to ensure that the decision making of the Board of Directors is not dominated by an individual or a reduced group. in such a way that the interests of the Entity as a whole are adversely affected.

Composition

The members of the Appointments Committee are appointed by the Board of Directors from among the Directors that do not perform executive functions and taking into account the knowledge, experience and skills necessary for the functions to be performed. The majority of them and, in any case, the Chairman, must be independent counselors.

Hereinafter the composition of the Appointments Committee as of December 31, 2017:

Table 5. Members of the Appointments Committee

Counselor	Position	Category
Mr. Victorio Valle Sánchez	Chairman	Independent
Mr. Agustín Molina Morales	Secretary counselor	Dominical
Mr. Eloy Domínguez-Adame Cobos	Member	Independent
Mr. Antonio López López	Member	Other external
Mrs. Petra Mateos-Aparicio Morales	Member	Independent

Table 6. Composition of the Appointments Committee

Composition	
Position	%
% of executive counselors	-
% of dominical counselors	20%
% of independent counselors	60%
% of other external	20%
Number of meetings (2017)	16

Functioning

The Committee meets with the periodicity determined by the Committee itself and each time it is convened by its Chairman or requested by two of its members.

The President of the Commission reports the decisions adopted in the first plenary meeting of the Board after the meeting of the Commission.

Annually, the Commission designs a plan to submit a report on its operation to the Board.

2.2.4. Remuneration Committee

Functions

The Remuneration Committee is in charge of reporting on remuneration matters.

Specifically, the Remuneration Committee has, among others, the following functions:

- Ensure compliance with the remuneration policy established by the Entity.
- Prepare remuneration-related decisions adopted by the Board of Directors, including those that have implications for risk management of the Entity
- Propose to the Board of Directors the remuneration policy for Counselors and Senior Management, as well as the individual remunerations and other contractual conditions for executive directors and senior managers, ensuring their enforcement.
- Prepare a specific report, accompanying the proposal of the remuneration policy of the Board of Directors.
- Periodically review the remuneration policy applied to the Counselors and Senior Management, including the remuneration systems based on shares and their application, as well as ensuring that their individual remuneration is proportionate to that of the other Counselors and Senior Management of the Company.
- Prevent that any conflicts of interest adversely affects the independence of external assessment provided to the Commission.
- Verify the information on the remuneration of the Directors and Senior Management contained in the various corporate documents, including the annual report on Directors' remuneration.

In preparing its decisions, the Remuneration Committee has a duty to ensure the long-term interests of shareholders, investors and other stakeholders of the Entity, as well as the public's interest.

Composition

The Remuneration Committee consists of a minimum of three and a maximum of five Directors appointed by the Board of Directors, taking into account the knowledge, experience and skills necessary for the functions to be performed. They cannot perform executive functions in the Entity and the majority of these members, and in any case, the Chairman, must be independent counselors.

The Remuneration Committee presents the following composition, as of December 31, 2017:

Table 7. Members of the Remuneration Committee

Counselor	Position	Category
Mr. Guillermo Jiménez Sánchez	Chairman	Independent
Mr. Juan Fraile Cantón	Secretary counselor	Dominical
Mrs. Petra Mateos-Aparicio Morales	Member	Independent
Mr. José Mª de la Torre Colmenero	Member	Dominical
Mr. Victorio Valle Sánchez	Member	Independent

Table 8. Composition of the Remuneration Committee

Composition	
Position	%
% of executive counselors	-
% of dominical counselors	40%
% of independent counselors	60%
% of other external	-
Number of meetings (2017)	9

Functioning

The Committee meets with the periodicity determined by the Committee itself and each time it is convened by its Chairman or requested by two of its members.

In the first plenary session of the Council, after the meeting of the Commission, the Chairman of the Commission report the decisions adopted.

Annually, the Commission develops an action plan for the year, which is reported to the Board.

Also, annually, the Commission submits a report to the Board on its operation.

2.2.5. Risk Committee

Functions

The Risk Committee exercises the risk management function.

Specifically, the Risk Committee has, among others, the following functions:

- Assess the Board on the overall risk appetite, current and future, of the entity and its strategy in this area and assist the Board in monitoring the implementation of said strategy.
- Ensure the proper functioning of the risk control and management systems and, in particular, the identification, management and adequate quantification of all significant risks affecting the Entity.
- Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board of Directors.
- Examine whether the prices of the assets and liabilities offered to customers fully take into account the business model and the risk strategy of the Entity. If the Commission finds that the prices do not adequately reflect the risks in accordance with the business model and the risk strategy, it will present to the Board of Directors a plan to correct this deficiency.
- Determine, together with the Board of Directors, the nature, quantity, format and frequency of information on risks that the Commission and the Board should receive.
- Collaborate for the establishment of rational remuneration policies and practices. To this end, the Risks Committee will examine, without adversely affecting the functions of the Remuneration Committee, whether the planned incentive policy takes into account the risk, capital, liquidity, probability and timing of the remunerations.

- Actively participate in the preparation of the Company's risk management policy, ensuring that it identifies at least:
  - (a) The different types of risk, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational) that the Entity faces, including financial or economic liabilities, contingent liabilities and other off-balance sheet risks.
  - (b) The determination of the level of risk considered acceptable by the Entity.
  - (c) The measures planned to mitigate the impact of the identified risks, in case they materialize.
  - (d) The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance-sheet risks.

Composition

The members of this Committee are appointed by the Board of Directors from among the Directors who do not perform executive functions, and who possess the appropriate knowledge, capacity and experience to fully understand and control the Entity's risk strategy and risk appetite. The majority of these members and, in any case, the Chairman must be independent counselors.

Hereinafter the composition of the Risk Committee as of December 31, 2017:

Table 9. Member of the Risk Committee

Counselor	Position	Category
Mrs. Petra Mateos-Aparicio Morales	Chairman	Independent
Mr. José Mª. de la Torre Colmenero	Secretary counselor	Dominical
Mr. Guillermo Jiménez Sánchez	Member	Independent
Mr. Antonio López López	Member	Other external
Mr. Isabel Martín Castellá	Member	Independent

Table 10. Composition of the Risk Committee

Composition	
Position	%
% of executive counselors	-
% of dominical counselors	20%
% of independent counselors	60%
% of other external	20%
Number of meetings (2017)	12

Functioning

The Committee meets, at least quarterly and, in addition, as many times as necessary, as determined by the Chairman for the fulfillment of the functions it performs, or if requested by two of its members.

In the first plenary session of the Council, after the meeting of the Commission, the Chairman of the Commission report the decisions adopted.

Also, annually, the Commission submits a report to the Board on its operation.

2.2.6. Procedures to ensure the suitability of the members of the Governing Bodies

Unicaja Banco, in compliance with rule 30 Circular 2/2016 del Banco de España, has developed a policy that ensures the suitability of Counselors, General Managers and similar personnel, responsible for internal control functions and personnel with key functions.

This policy ("*Política para la Evaluación de la Idoneidad de los Miembros del Consejo de Administración, los Directores Generales y asimilados y otro personal clave para el desarrollo de la actividad financiera*") was approved on November 10, 2016 by the Board of Directors , which, subject to update, replaces and invalidates the one approved in July 2013.

Through the Policy of Selection and Appointment of Directors of Unicaja Banco (“*Política de Selección y Nombramiento de Consejeros de Unicaja Banco, S.A*”) approved by the Board of Directors in November 2016, the Suitability Policy is supplemented and partially developed, with respect to the selection procedures of the members of Board.

In accordance with the established procedures, the continuous evaluation of the suitability of the members of the Identified Group (members of the Board of Directors, General Managers and similar personnel, and other key personnel for the development of the financial activity) will be based on the criteria of commercial integrity and professional, as well as knowledge, experience and skills appropriate to their functions. In addition, in the case of members of the Board of Directors, they must act with honesty, integrity and independence of ideas, so that they are in a position to exercise good governance.

The information related to the procedures established to ensure the suitability of the personnel referred to in the regulation is published on the Entity's corporate website (www.unicajabanco.com), in the heading "*Información sobre Nombramientos*" in the section "*Gobierno corporativo y política de remuneraciones*".

2.2.7. Diversity issues

In accordance with art. 6.2 of the Regulations of the Board of the Board of Directors, in the exercise of its powers of proposal to the General Meeting and of co-option for the appointment of Directors, the Board of Directors shall endeavor, among other things, that the composition of the Board favors gender, experiences and knowledge diversity and does not suffer from implicit biases that may imply any discrimination and, in particular, that facilitate the selection of Counselors.

In fiscal year 2017, the process for the renewal of directors has begun and age and gender diversity has been taken into consideration.

In the Annual Corporate Governance Report for the year 2017 published on the Entity's website, and in particular, in sections c.1.5, c.1.6 and c.1.19, more information can be found in this regard.

2.3 Scope of application

In accordance with article 436 of Regulation (EU) No. 575/2013, the quantitative information presented in this report corresponds to Unicaja Banco Consolidated Group, elaborated in accordance with the prudential requirements.

In Annex I, II and III of the report of the consolidated annual accounts for 2017, the entities included in the consolidation perimeter are listed, indicating their integration method, their main activity and the main financial data.

Hereinafter the main differences related to the consolidation perimeter, and the different consolidation methods applied in the public consolidation perimeter, defined in the consolidated annual accounts in accordance with the provisions of the International Financial Reporting Standards (IFRS) adopted by the EU and the prudential consolidation scope, defined in Chapter 2 of Regulation (EU) No 575/2013:

- Subsidiary entities. In preparing the consolidated annual accounts of Unicaja Banco Group, all the subsidiaries have been consolidated using the global integration method, regardless of whether they meet the requirements to be considered consolidable due to their activity or not.

  However, for the application of the prudential solvency requirements, in the consolidated information corresponding to Unicaja Banco Consolidated Group, only the subsidiaries that are, in turn, "consolidable entities due to its activity" have been consolidated by the global integration method, according to what is established in chapter 2 of Regulation (EU) nº 575/2013.

  Unicaja Banco Group entities that are not consolidable entities due to their activity have been valued through the application of the equity method, as defined in the IFRS-EU.

Hereinafter the detail as of December 31, 2017 of the subsidiaries of Unicaja Banco Consolidated Group, to which the global integration method has been applied for solvency purposes, are presented in accordance with the aforementioned criteria.

Table 11. Subsidiaries to which the global integration method has been applied for solvency purposes

Entity name	Activity	Participation
Alteria Corporación Unicaja. S.L.U.	Inv. assets and financial companies	100%
Banco de Caja España de Inv., Salamanca y Soria, S.A.	Credit institutions	76.68%
Finanduero Sociedad de Valores, S.A.U.	Inv assets and financial companies	76.68%
Gestión de Actividades y Servicios Empresariales, S.A.U.	Electronic recording and data and doc. processing	100%
Gestión de Inmuebles Adquiridos, S.L.U.	Real Estate development	100%
Inmobiliaria Acinipo, S.L.U.	Real Estate development	100%
La Algara Sociedad de Gestión S.L.U.	Tourism sector	100%
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Real Estate agent	100%
Unicartera Caja 2, S.L.U.	Promotion or financing of R&D in medicine	100%
Unicartera Gestión de Activos, S.L.U.	Recovery activity and litigation management	100%
Unicartera Internacional, S.L.U.	Inv. assets and financial companies	100%
Unicartera Renta, S.L.U.	Inv. assets and financial companies	100%
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Assets management	100%
Unigest, S.G.I.I.C., S.A.U.	Manager of collective investment institutions	89.60%
Unimediterráneo de Inversiones,S.L.	Inv. assets and financial companies	100%

- **Joint ventures (multi-group entities).** In the preparation of the consolidated annual accounts of Unicaja Banco Group, the jointly controlled entities have been valued using the equity method. For the preparation of the solvency information, the participations in jointly controlled entities have been consolidated using the proportional integration method, except for those that cannot be consolidated due to their activity, which have been valued using the equity method.

Hereinafter the breakdown as of December 31, 2017 of the jointly-controlled entities of Unicaja Banco Group, to which the proportional integration method has been applied for the preparation of prudential consolidated information.

Table 12. Multi-group entities to which the proportional integration method has been applied for solvency purposes

Entity name	Activity	Participation
Banco Europeo de Finanzas, S.A.	Credit Institutions	40.72%
Cartera Perseidas, S.L.	Inv. assets, mob.v and financ. entities	35.26%
Madrigal Participaciones, S.A.	Inv. assets, mob.v and financ. entities	58.03%

- **Subsidiaries or multi-group entities that are not integrated or deducted.** Hereinafter the subsidiaries or jointly controlled entities of Unicaja Banco Consolidated Group that, in the preparation of the information for solvency purposes, have not been consolidated through the global integration method nor the proportional integration method, nor have they been deducted from the Group's capital..

Table 13. Subsidiaries of multi-group entities that are not integrated or deducted

Entity name	Activity	Participation
Alqlunia Duero, S.L.U.	Real Estate development	76.68%
Altos de Jontoya Residencia para Mayores, S.L.U.	Geriatric assistance	100%
Analistas Económicos de Andalucía, S.L.U.	Study and analysis of economic activity	100%
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement of documents and deeds	100%
Caja España Med. Operador Banca Seguros Vinculado, S.A.U.	Insurance Brokerage	76.68%
Cartera de Inversiones Agroalimentarias, S.L.U.	Agro-food industry	100%
Cerro del Baile, S.A.	Real Estate development	61.34%
Desarrollo de Proyectos de Castilla y León S.L.U.	Real Estate development	76.68%
Dolun Viviendas Sociales, S.L.	Real Estate development	40%
Espacio Medina, S.L.	Real Estate development	30%
Inmobiliaria Uniex Sur, S.L.U.	Real Estate development	100%
Lares Val de Ebro, S.L.	Real Estate development	25.56%
Mijas Sol Resort S.L.U.	Real Estate development	100%
Muelle Uno - Puerto de Málaga, S.A.	Real Estate development	39.74%
Parque Industrial Humilladero, S.L.	Industrial land development	86.98%
Pinares del Sur, S.L.U.	Real Estate development	100%
Rochduero, S.L.	Real Estate development	41.48%
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance brokerage	100%
Sociedad de Gestión San Carlos, S.A.	Real Estate development	53.29%
Unimediación, S.L.U.	Insurance brokerage	100%
Uniwindet, S.L.	Renewable energy	100%
Viajes Caja España, S.A.	Travel agency	38.34%
Viproelco, S.A.U.	Real Estate development	76.60%

As of December 31, 2017 there is no subsidiary not included in the consolidation with own resources lower than the minimum required by the applicable regulations.

Additionally, there are no current or anticipated significant practical or legal impediments to the rapid transfer of own funds or the reimbursement of liabilities between the Entity and its subsidiaries.

- **Entities deducted from Level I capital**: The participations owned by the Consolidated Group as of December 31, 2017 that are considered to be significant participations, according to article 43 of Regulation 575/2013 and therefore are subject to deduction of ordinary Tier 1 capital (CET 1) are: Caja España Vida, Compañía de Seguros y Reaseguros, S.A., Unión del Duero, Compañía de Seguros de Vida, S.A., Unicorp Vida, Compañía de Seguros y Reaseguros S.A, Duero Pensiones, Entidad Gestora de Fondos de Pensiones, S.A, Mastercajas, S.A., Euro 6000, S.A., ADE Gestión Sodical SGERC, S.A., Inversiones Alaris, S.L, Ahorro Andaluz S.A. and Hercesa Internacional, S.L.

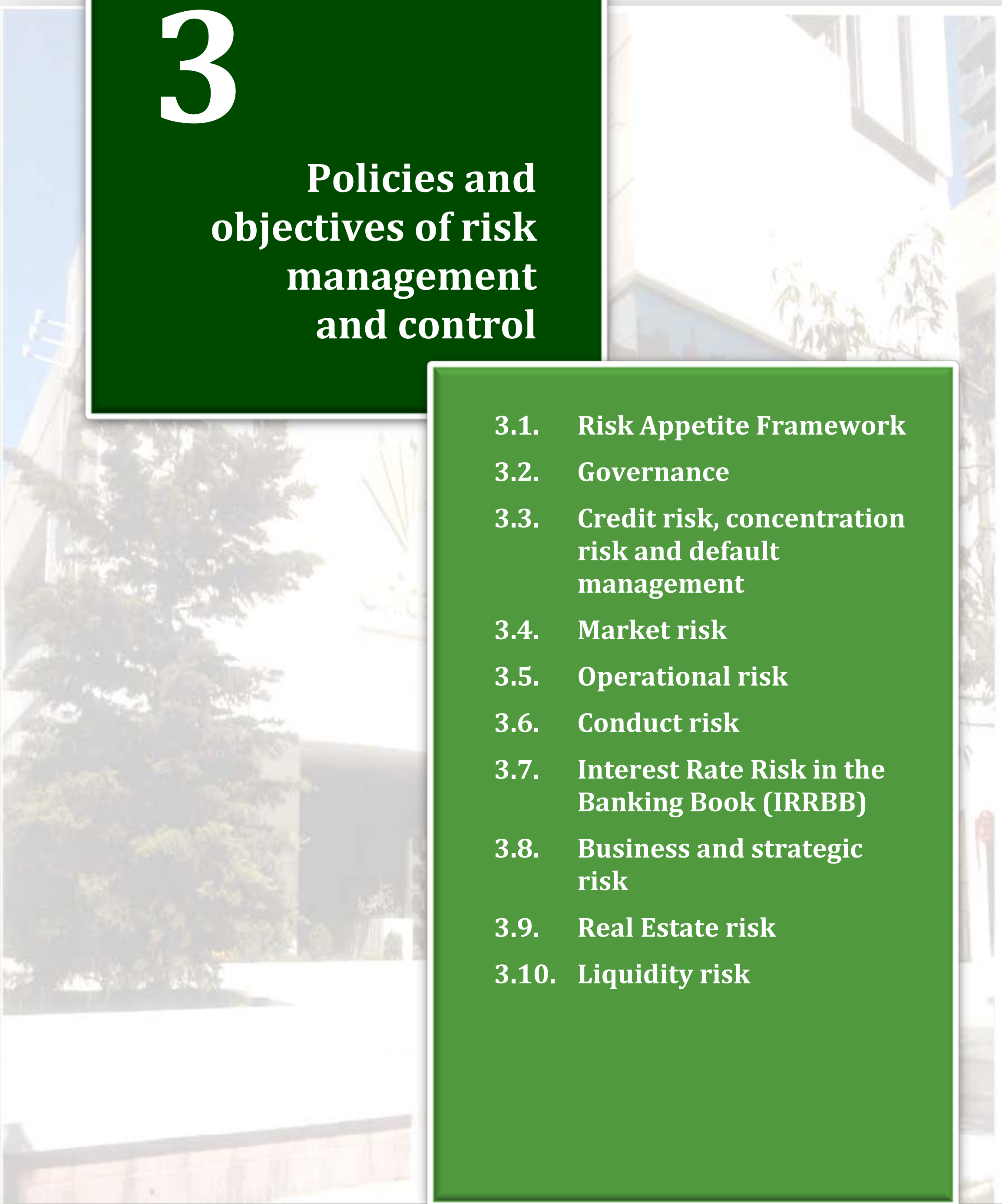
In the Annex I, II and III of the report of the consolidated annual accounts of Unicaja Banco Group, the Group entities, the jointly controlled entities and the associated entities as of December 31, 2017 are detailed.

2.4 Other general information

The consideration of EspañaDuero as part of the Group, after its acquisition by Unicaja Banco in 2014, has affected the Entity's risk profile, which has been valued and developed by adopting the policies and procedures of the parent company.

On October 27, 2017, the Board of Directors of Unicaja Banco agreed to propose Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (EspañaDuero) a merger by absorption of EspañaDuero (as absorbed company) by Unicaja Banco (as absorbing company). The merger project was approved by both Boards of Directors on January 26, 2018, and represents the culmination of the process of integration of both entities, initiated by the acquisition of EspañaDuero by Unicaja Banco Group in March 2014 and will involve the fruitful termination of restructuring and recapitalization process of EspañaDuero.

On the other hand, following the repurchase by Unicaja Banco in August 2017 of the CoCos issued by EspañaDuero, which were, so far, subscribed by the FROB., and after the agreed repurchase of the shares of EspañaDuero, owned by FROB, that was executed in December 2017, temporarily and in advance of the merger that was already planned, Unicaja Banco Group, based on Article 7 of Regulation (EU) No. 575/2013 (CRR), processed the request to the European Central Bank of an exemption of compliance with the solvency requirements on an individual basis for EspañaDuero The authorization was granted by the European Central Bank on November 27, 2017. Since then, Unicaja Banco has been hedging all of the obligations assumed by EspañaDuero against third parties. This omnibus hedge represents a further step in the aforementioned process since, it implies integrating the commitments and obligations of EspañaDuero against parties.



3

Policies and objectives of risk management and control

3. POLICIES AND OBJECTIVES OF RISK MANAGEMENT AND CONTROL

Unicaja Banco Group maintains rigorous attention to keep a prudent and balanced risk profile while preserving the solvency, profitability and liquidity objectives.

The main figures that reflect the Group's risk profile are included in the consolidated Management Report.

The risk management system implemented by the Group, in order to preserve these objectives, is based on the following basic lines:

- A system of governance and organization of the risk function, based on the participation and active supervision of Senior Management, which approves the general business strategies and policies of the Entity, and outlines the risk management and control objectives.
- A Risk Appetite Framework (RAF), configured within Unicaja Banco Group as a fundamental instrument in the implementation of the risk policy.
- A prudent risk management model in which Unicaja Banco Group maintains rigorous attention to permanently maintain a prudent and balanced risk profile, preserving the solvency, profitability and liquidity objectives.
- A selection of adequate information, measurement, management and risk control methodologies, in continuous improvement process and in line with the regulatory requirements, adapting at the same time the requirements of own resources to the level of real risks derived from the banking activity.
- A supervision model based on three lines of defense, in line with the expectations of the regulatory and supervisory authorities.

In Unicaja Bank Group, the policies, methods and procedures related to global risk management are approved by the Entity's Board of Directors.

Based on the regulatory framework in force, Unicaja Banco's organizational structure includes the Corporate Directorate of Global Risk Control, dependent on the General Directorate of Control, Strategy and Relationship with Supervisors, functionally separated from the areas that generate the exposures. The Corporate Directorate of Global Risk Control has among its functions the control of all the risks incurred by the Entity, from a global perspective. The Management of Unicaja Bank Group has an internal structure, perfectly defined, which serves as support and enables the materialization of the different decisions adopted.

The risk control model adopted by the Entity includes, among others, the following risks:

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

3.1 Risk Appetite Framework

The risk management and control of the Group is arranged, among others, through the "Risk Appetite Framework", which is approved by the Entity's Board of Directors.

Unicaja Banco Group uses the RAF as an instrument for the implementation of the Group's risk policy and as a key management and control tool that allows it to: (i) formalize the risk appetite statement; (ii) formalize the risk supervision and surveillance mechanism, in order to ensure compliance with the risk appetite and (iii) strengthen its risk culture.

The development of this Framework as a general risk policy of the Group is configured as a fundamental element in the management and control of the Entity, providing the Board of

Directors and Senior Management with the integral framework that determines the risks that the Entity is willing to assume to achieve its business objectives, and establishes different metrics for its quantification, control and monitoring, which allow reacting to certain levels or situations. These cross-sectional metrics characterize the objective behavior of Unicaja Banco Group, allowing the risk appetite culture to be transmitted at all levels in a systematized and understandable manner. They summarize the objectives and limits of the Group, so they are useful for communication, where appropriate, to the stakeholders, and are homogeneous, given that they are applied throughout the organization.

The Group has a process of identification of material risks, in which methodologies are established for the quantification of all the risks to which the Entity is exposed. It also defines criteria for the selection of material risks that must be managed more intensively. This intensive management 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 liquidity management buffer, evaluated within the Internal Liquidity Evaluation Process (ILAAP). The process of quantifying and identifying material risks is done on a recurring basis, allowing the Entity to identify emerging risks at all times.

Based on this process, within the Risk Appetite Framework, at least for each of the material risks, the appetite and tolerance is established through a qualitative statement, risk indicators or metrics are selected and a calibration methodology is defined, allowing the establishment of thresholds, early warnings and limits.

Within the Risk Appetite Framework of Unicaja Banco Group, the impact of all its subsidiaries is considered, especially that of EspañaDuero, taking into account its significant nature and relevance in terms of the Group's solvency.

The Chief Risk Officer (CRO) monitors compliance with the Risk Appetite Framework through the existing metrics for each risk type. This monitoring is submitted to the Risk Committee and the Board of Directors.

Lastly, the Entity has the RAF integrated with other key processes: the Business Plan, ICAAP, ILAAP, the corporate risk policies and the Recovery Plan, among others.

3.2 Governance

The risk management and control model requires a robust and effective organizational structure. Thus, effective involvement of the Board of Directors and Senior Management is necessary, and there must be an adequate coordination throughout the Organization.

The bodies directly involved are listed below, with an indication of their main functions and responsibilities related to risk management and control.

Board of Directors

The policies, methods and procedures related to global risk management and control are approved by the Entity's Board of Directors. Thus, with regard to risk management and control, the main functions attributed to this body are:

- Approve the risk control and management policy, including fiscal ones, as well as the periodic monitoring of the internal information and control systems.
- Approve the RAF and its subsequent modifications, based on the proposal of the Risk Committee.
- Analyze, at least every six months, a report from the Risk Committee on the application of the RAF, without adversely affecting the information that may be required at any time.
- Take into consideration the RAF in the daily management of the Entity and, especially, in the adoption of strategic decisions.
- Adopt the relevant correction measures, where appropriate, when there is an effective thresholds breach or when it is foreseeable.

Risk Committee

Among its main functions are:

- Assess the Board of Directors on the Entity's current and future risk appetite, and its strategy towards it, and assist the Board in monitoring the implementation of that strategy.

- Ensure the proper functioning of the risk control and management systems and, in particular, the identification, management and quantification of all relevant risks affecting the Entity.
- Ensure that risk control and management systems mitigate risks adequately within the framework of the policy defined by the Board of Directors.
- Actively participate in the preparation of the Entity's risk management policy, ensuring that it identifies at least:
    - The different risk types, financial and non-financial (among others, operational, technological, legal, social, environmental, political and reputational) that the Entity faces, including financial or economic liabilities, contingent liabilities and other off-balance risks.
    - The determination of the level of risk that the Entity considers acceptable.
    - The measures planned to mitigate the impact of the risks identified, should they materialize.
    - The information and internal control systems that will be used to control and manage the aforementioned risks, including contingent liabilities or off-balance-sheet risks.
- In particular, within the RAF framework:
    - Propose the approval of the RAF to the Board of Directors.
    - Inform the Board of Directors, at least semiannually or at any time upon request, about the RAF monitoring.
    - Request, when appropriate, information regarding the RAF to the different Directorates.

Audit and Compliance Committee

The Audit and Compliance Committee will supervise the internal audit, which will ensure the proper functioning of the internal information and control systems.

In addition to the functions set forth in the Law and the Articles of Association, the Audit and Compliance Committee is responsible for:

- Information systems and internal control,
- External auditor,
- Compliance with corporate governance rules,
- Regulatory compliance.

Among these functions, the evaluation of the entity's non-financial risks, including operational, technological, legal, social, environmental, political and reputational, is of special significance.

Steering Committee

Among its functions, the following related stand out in relation with the RAF:

- Implement the main criteria of the RAF, the original or subsequent adaptations, throughout the rest of the Entity, through the Directorates responsible for each subject, with the purpose of maintaining a solid "risk culture" in Unicaja Banco.
- Transfer, through the responsible Directorates, the main criteria of the RAF to the Unicaja Banco Group companies.
- Evaluate the implications of the RAF, in their respective areas of competence, in coordination, among others, with the following Committees, which will, in turn, transfer to the responsible Directorates if necessary:
    - Assets, Liabilities and Budget Committee.
    - Business Committee.
    - Credit Committee.
    - New Products Committee.
    - Treasury Committee.
    - Real Estate Committee.

- Anti-money laundering and blocking of terrorist financing Committee.
- Prevention of Criminal Risk Committee.

Corporate Directorate of Global Risk Control

Its functions include assuming control, from a global perspective, of the totality of the risks incurred by the Entity.

In particular, concerning the Risk Appetite Framework, the following functions stand out:

- Develop and apply the management function of controlling all of the Entity's risks, in the context of the Risk Appetite Framework.
- Prepare and present the RAF updating proposals.
- Monitor the metrics and indicators, at least on a quarterly basis.
- Report to the Risk Committee and Senior Management, at least quarterly, on the RAF monitoring ("Report on Monitoring and Control of the Risk Privilege Framework").
- Alert, without delay, about the activation of a limit.
- Verify the RAF monitoring and its main criteria in the Unicaja Banco Group.

Internal Audit Directorate

Its functions include:

- Carry out the functions and tasks that correspond to the third line of defense in Governance matters.
- Perform a permanent control and monitoring of the Entity's activities in order to ensure compliance with internal and external regulations.

Concerning the RAF, the following functions stand out:

- Audit the RAF compliance and its main criteria throughout the Entity.
- Evaluate the design and effectiveness of the RAF, as well as its implementation.

The Corporate Governance Report of Unicaja Banco Group, published on the website (www.unicajabanco.es), identifies the Bodies of the Entity responsible for the preparation and execution of the risk management system, indicating the main risks that may affect the achievement of the business objectives, identifying the risk tolerance level of the Entity as well as the action and supervision plans for the main risks of the Entity.

3.3 Credit risk, concentration risk and default management

Credit risk is defined as the risk of incurring losses as a result of a breach of payments due to the Entity. This risk is inherent to the Entity's daily operations.

Unicaja Banco has a Manual of Policies, Functions and Procedures for Credit Risk to Clients, approved by the Board of Directors, which is established as a framework of control and adequate management of the credit risks inherent to the Institution's credit investment.

This manual defines the policies and procedures of mandatory compliance for risks, details the activities and tasks to be performed, defines the responsibilities of the different areas involved in the processes of operations granting and monitoring, establishes the predisposition to the risk decided by the Entity and its articulation through risk limits and types of operations, and all general and specific aspects related to a large part of the credit investment operation are documented in a structured and unified manner.

The policies, methods and procedures related to the control of credit risk are approved by the Board of Directors, being the Risk Committee, the Audit and Compliance Committee, the Internal Audit Department, the Corporate Directorate of Global Risk Control and the Corporate Credit Risk Management of Unicaja Banco responsible for proper compliance, ensuring that they are appropriate, effectively implemented and regularly reviewed.

In addition, Unicaja Banco Group has tools that allow an adequate risk classification. These are scoring and rating models that enable the admission and follow-up processes. The PD, LGD and EAD estimates, as part of the calculation of expected loss, intervene in the efficient management of risk. The criteria on which these models and estimates are based are approved by the Group's Senior Management, having the necessary review systems so that there is always an adequate updating.

Regarding the granting of credit operations, Unicaja Banco has detailed policies, methods and procedures to ensure the responsible granting of loans and credit to consumers. The principles developed for this purpose are aligned with the current situation of the Bank, through Manual of Policies, Functions and Procedures for Credit Risk to Clients and with the regulatory requirements established by the regulations in force, collecting the following points:

- Concession criteria linked to the debtor's ability to pay.
- Customer-specific amortization plan of the operation.
- Prudent relationship between the amount of the operation and the value of its guarantee.
- Operations commercialization policy.
- Guarantees valuation policy.
- Consideration of the volatility of the interest rate, and of the exchange rate in the granting of loans denominated in foreign currency.
- Interest rate risk coverage.
- Policy on exceptions on operations' terms.
- Warning to the customer about breach of their payment obligations.
- Debt renegotiation policy.
- Information on the cost of services linked to the granting of the credit operation.
- Obligation of information to the purchasers of housing by subrogation of promoter loan.

On the other hand, Unicaja Bank Group has implemented systems for compliance with Law 5/2015 on the promotion of business activity, which recognizes rights that cannot be waived for SMEs and the self-employed in those cases in which a credit institution decides to cancel or reduce the flow of financing.

Additionally, the granting of credit operations must be subject, depending on their beneficiaries, nature, amount, term, guarantees and characteristics, to a decentralized approval process based on collegiate attributions of the following decision-making bodies:

- Board of Directors.
- Credit Committee.
- Credit Committee of the Corporate Credit Risk Directorate.
- Corporate Banking Credit Commission.
- Credit Commission of Point-of-Sale Financing.
- Territorial Direction Credits Commissions.
- Credit Commissions of the Territorial Area Directorate.
- Branch Credit Commissions.

Likewise, the functions and methodologies for the control of credit risk are applied, both in the admission phases and in the follow-up of credit operations. The monitoring consists of analyzing the evolution of the risk of the operation itself and of the client, and its risk group. In this way, a control and monitoring of the credit risk of the financial investment is carried out through several controls:

- Preventive supervision of operations and borrowers.
- Supervision of impaired, doubtful or unpaid operations.

In accordance with the regulations in force, Unicaja Bank Group has a policy of refinancing, restructuring, renewal or renegotiation in order to manage separately the actions in the management of problematic risks of actions linked to risks without payment incidents.

Additionally, Unicaja Bank Group has methodologies, procedures, tools and rules of action for the control and recovery of irregular assets.

Unicaja Banco has traditionally been very prudent, both with the identification and in the accounting qualification of refinancing and restructuring, and this policy has been transferred, like the rest of the policies, to its subsidiary EspañaDuero. Finally, in the credit risk framework, Unicaja Bank Group specifically includes exposures to sovereign risk and corporate interests in its risk management and control model.

3.4 Market risk

Market risk is defined as the possibility of loss in the Entity due to the maintenance of positions in the markets, as a result of adverse movements of the financial variables or risk factors that determine the value of those positions.

Although, for solvency purposes, market risk is assigned to trading positions, Unicaja Banco Group has developed policies, processes and tools for market risk managing in the entire portfolio of securities recorded at fair value, among which are the sovereign exposures and shareholdings.

For the adequate management of market risk, the Group has tools that allow the definition, calculation and monitoring of market risks and the limits authorized for it, in particular "Value at Risk" (VaR) and operating limits for credit/counterparty risk that affect the Group's operations in capital markets.

The process of evaluation and analysis of market risk is based on the development of the following functions:

- Market data management.
- Identification and measurement.
- Control.

Through the establishment of the limits and diversification structure, the Group controls the exposure to market risk, defining a framework for action for the different operations that the Entity performs in financial markets, so that these are carried out within this framework. Likewise, the limits structure is used as a means of diversification in order to avoid excessively concentrated exposures to market risk.

The responsibility in risk identification and control corresponds ultimately to the Governing Bodies of Unicaja Banco Group, in such a way that Senior Management is responsible and must participate actively in the entire risk management process (planning, approval , valuation and control of all the risks inherent in the positions taken by the Entity in financial markets).

3.5 Operational risk

Operational risk is defined as the risk of suffering losses due to inadequate or faulty processes, personnel and internal systems or due to external events. Model, legal and fiscal risk are included as operational risk, and strategic risk is excluded.

Unicaja Banco assumes the following types of operational risk, according to Regulation 575/2013 (CRR), in order to maintain a uniform and parameterized risk management:

- Internal fraud.
- External fraud.
- Human Resources.
- Sales practices.
- Damage to physical assets.
- Technology.
- Management and control processes.

Unicaja Bank Group has established a series of procedures to capture events of operational losses. These allow the Group to have the necessary information to be able to implement the corresponding mitigation instruments of the operational risk management policy. It has also developed the Operational Risk Framework, which has been approved by the Board of Directors, and has been disseminated and implemented in the Organization.

Additionally, in December 2017, the Standard Method was adopted as a methodology for quantifying operational risk in terms of capital, with the objective of improving its operational risk management, in line with the Entity's risk culture.

Within operational risk, there is technological risk, which is the risk associated with technological tools, operating systems and new technologies. It is a broad risk, covering all computer and technological actions.

Likewise, a distinction is made for reputational risk, defined as the risk of loss due to a deterioration in the image of the entity, either due to events occurring in the entity itself or due to external events (macro-environment) that affect the reputation of the sector in general. The reputational risk can be a consequence derived from other risks: reputational losses derived from other events, which we know as an "Opportunity Cost".

The Unicaja Banco Group has traditionally been very demanding in aspects related to reputational risk management. The client satisfaction and the good image of the Entity are permanent objectives of all its employees and of the highest levels of governance and management of the Entity.

This constant effort is based on the global culture and is translated, among other concrete manifestations, into:

- The strategic objectives of the Entity.
- The Code of Conduct and the Corporate Social Responsibility Policy approved by the Board of Directors.
- The actions of the three lines of defense.
- Compliance with the general regulatory framework and, in particular, with Market in Financial Instruments Directive ("MiFID").
- The process of continuous training of employees in all the areas in which they carry out their activity, which includes, specifically, training related to ethical aspects, in accordance with the provisions of the "Code of Conduct".

3.6 Conduct risk

Conduct risk refers to the risk of incurring in a bad practice internally by the Entity at the time of the event, whether knowing the action (knowingly or bad faith by the offender), or due to a lack of knowledge that does not exempt the correct fulfillment.

Unicaja Group ensures the correct creation, issuance and distribution of products, as well as the provision of services, guaranteeing compliance with current legislation.

3.7 Interest Rate Risk in the Banking Book (IRRBB)

The interest rate risk in the banking book (IRRBB) is defined as the possibility of suffering losses in the margin or equity of the Entity as a result of adverse movements of interest rates on positions in the Entity's banking book.

The control functions and methodologies carried out by the Entity include the definition of the limits structure, limits control, control of the effectiveness of balance hedges as mitigation instruments and the use of stress testing measures. In this way, in the analysis, measurement and control of the interest rate risk assumed by the Group, sensitivity measurement techniques and analysis of scenarios that could significantly affect it are used.

Based on the results of exposure for structural interest rate risk presented by the Unicaja Banco Group at each analysis date, a series of actions are implemented to mitigate such exposure, until it is redirected to the acceptable levels defined by the risk profile of the Entity.

The Group uses hedging operations to manage interest rate risk on its balance sheet.

The phases of the interest rate risk management process are clearly distributed in different units, therefore, for the IRRBB management; the following structure exists in Unicaja Banco Group:

- The Board of Directors approves the entity's global risk management strategy and marks its general lines and controls.
- The Assets and Liabilities and Budget Committee (COAPP) develops the strategy within the framework and limits established by the Board of Directors.

3.8 Business and strategic risk

It is defined as the risk of incurring losses due to the erroneous analysis of the market in which it operates or because of its lack of knowledge, which may threaten the viability and sustainability of the Entity's business model.

In order to analyze the soundness of its business model, the Group performs an identification exercise of potential vulnerabilities, both internal and external, taking into account the probability of occurrence and impact, identifying mitigating measures to address them.

3.9 Real Estate risk

This is the risk associated with the loss of value of the real estate assets held in the balance sheet of the Entity.

Unicaja Banco Group establishes limits to the real estate risk related to the assets received in payment of debts in order to control this exposure and keep it within adequate levels.

These assets are managed in the Entity with the ultimate purpose of disinvestment or leasing. To this end, Unicaja Banco Group has instrumental companies, specialized in the management of urban projects, real estate commercialization and leasing of real estate assets. Likewise, it has specific units to develop these strategies and coordinate the actions of the instrumental subsidiaries.

Additionally, the Entity has a decentralized governance structure that, through a framework of attributions, ensures proper management and control of it.

3.10 Liquidity risk

Liquidity risk can be defined in different ways since it is not a single concept. Usually, there are three different meanings of liquidity risk:

- Cost of undoing a position in a real or financial asset (it refers to the difficulties that may arise to undo or close a position in the market, at a particular time, without producing an impact on the market price of the instruments or the cost of the transaction (Market or Asset Liquidity).
- Deviation between the enforceability of the passive operations and the degree of completion of the active operations (funding liquidity).
- Non-adequacy between the growth capacities of the investment activity derived from the impossibility of finding financing according to the propensity of risk to leverage asset growth strategies (strategic or structural liquidity).

Likewise, the following sub-risks can be distinguished within liquidity risk:

- Financing risk.
- Risk of intra-group transactions.
- Currency financing risk.
- Contingent risk.
- Risk of intraday liquidity.
- Franchise risk.
- Risk related to pledged assets.

The structural liquidity risk basically derives from the lags that occur between maturities of assets and liabilities (inflows and outflows of funds) in the different temporary bands. All this makes it necessary to improve and develop adequate systems and procedures for the identification, measurement, control and management of liquidity risk.

The Entity establishes prudent policies and objectives that contemplate not only normal market conditions but also contingency plans for stress or crisis situations, both its own and those of the market.

The adequate management of liquidity is a fundamental section in all entities, as demonstrated in the crisis period. Therefore, it is becoming more relevant in the new regulatory requirements. For this reason, the methodology used is necessarily oriented towards the control and monitoring of structural liquidity.

The key to management is to be able to respond to obligations without implying high costs or loss of profitability, either by excessive costs to cover needs in a liquidity shortage, or by excess liquidity that results in a low asset performance prioritizing a policy of prudence in the balance between both possibilities and ensuring that the cost of this policy is as low as possible.

The Unicaja Banco Group has established limits to liquidity risk to control exposure to it and maintain it within the authorized levels. In general terms, liquidity is considered adequate if the potentially liquid assets and financing capacity are higher than the needs derived from the business and refinancing in markets. The greater this difference, the greater the available liquidity.

The Unicaja Banco Group also practices a diversification policy in order to avoid excessively concentrated exposures to structural liquidity risk. In the same way, in its management of liabilities, it diversifies its sources of financing, guaranteeing that they are diversified by markets, terms, and products, in order to avoid difficulties at particular moments of crisis of markets.

In view of the above, the liquidity monitoring is based on:

- Asset management: analysis of maturities, possibility of sale, degree of liquidity, potential use as collateral.
- Liabilities management: analysis of maturities, diversification of business sources, maturities different from contractual ones, behavior in light of movements of interest rates.
- Access to markets: financing capacity in wholesale markets and time needed to obtain financing.

The Unicaja Banco Group reports to the Bank of Spain all the information on the liquidity situation, liquidity plans and contingent commitments acquired by the Bank, within the supervisory framework.

- Liquidity Coverage Ratio (LCR), which measures the sufficiency of available, liquid and high-quality assets, existing to offset the net outflows of cash that could be suffered, in case of serious stress, up to the next 30 days.

  Unicaja Banco Group has no problem with liquidity risk, with an adequate fund of high quality liquid assets (HQLA) and free of charge, which can be easily and immediately converted into cash in the markets, in order to cover their liquidity needs. in a scenario of liquidity problems of 30 natural days (net outflows and cash inflows). The LCR ratio of Unicaja Banco Group as of December 31, 2017 stands at 701%, well above the required regulatory minimum established at 100%.

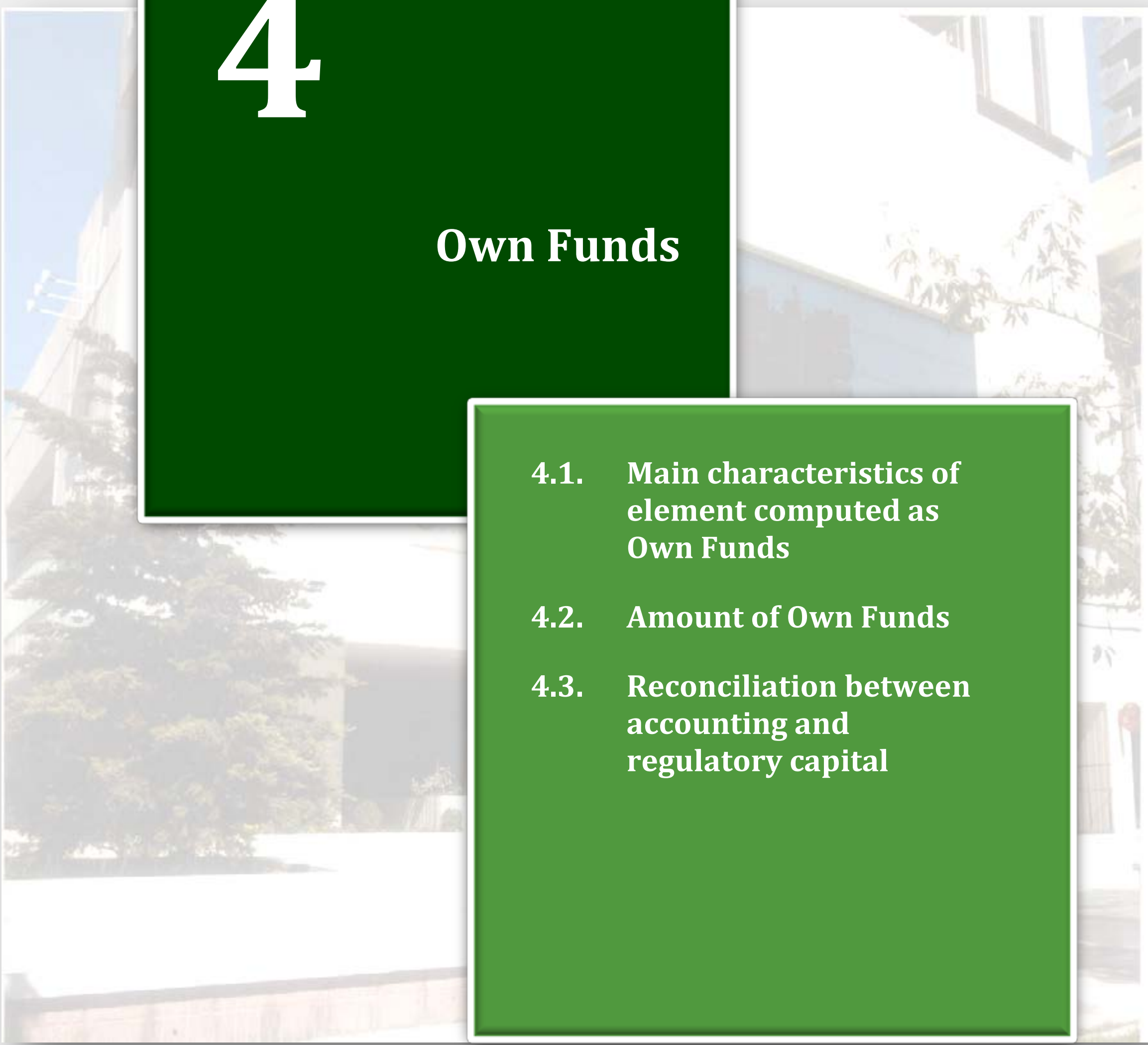
- Long-term net stable financing ratio (NSFR), to maintain minimum stable sources of financing, in line with the liquidity profiles of the assets and the possible contingent liquidity needs for long-term off-balance-sheet commitments.

  The fulfillment of this ratio implies that the entities have to equip themselves with stable financing structures (measured by the NSFR), setting a minimum amount of stable financing necessary according to the characteristics of the assets, which is maintained for more than a year, that is, the ratio between stable financing (liabilities) and assets that require stable financing. Unicaja Banco Group maintains an NSFR ratio of 134%, as of December 31, 2017, well above the required regulatory minimum established at 100%.

Finally, for liquidity risk management, Unicaja Banco Group has established a solid process consisting of the practical implementation of a range of functions involving the Board of Directors, Treasury Committee, Assets, Liabilities and Budget Committee, General Directorate of Control, Strategy and Relationship with Supervisors, General Directorate of Finance and organizational units dependent on Assets, Liabilities and Bud members.

Therefore, it has become necessary to develop a contingency plan, reviewed periodically, and based on three fundamental premises:

- Definition of stress test scenarios: systemic crisis, in-house medium and severe crisis.
- Liquidity projection in scenarios and establishment of warnings, limits and a minimum survival horizon to be able to undertake the measures.
- Identification of responsibilities and tasks in the activation and execution of the contingency plan.



4

Own Funds

4. OWN FUNDS

4.1 Main characteristics of elements computed as Own Funds

According to Title I of the Second Part of the EU Regulation No. 575/2013, the total own funds are equal to the sum of Tier 1 capital (T1) and Tier 2 capital (T2). Tier 1 capital is made up of Common Equity Tier 1 (CET1) and Additional Tier 1 capital (AT1).

Under *Reglamento de Ejecución* 1423/2013, which establishes implementing technical standards concerning the disclosure of the entities' own funds requirements, the information template on transitory own funds is published in Annex III of this document.

4.1.1. Common Equity Tier 1

Unicaja Banco Group considers the following elements as Common Equity Tier 1, applying the corresponding adjustments and deductions:

- Common shares.
- Stock surpluses resulting from the issue of common shares.
- Retained earnings (reserves and profits, of the prudential perimeter, net of foreseeable dividends).
- accumulated other comprehensive income (AOCI)
- Other reserves.

Tier 1 capital is considered to be of the highest quality and its components are characterized by being available for unrestricted and immediate use to cover risks or losses as soon as they occur. This quantity is recorded free of any possible tax at the moment it is calculated. These components show a stability and permanence in time higher than Tier 2 capital components.

The items deducted from capital are:

- Intangible assets.
- Goodwill (Article 37 of the Regulation).
- Significant investments in entities of the financial sector (Article 43 of the Regulation).
- Securitization positions with a risk weight of 1,250% (article 36 of the Regulation).
- Deferred tax assets that depend on future returns (Article 38 of the Regulation).

The capital deductions have been calculated according to the tenth part, section 3 of the Regulation (transitional provisions), with the double limit on CET1, both for the calculation of deductions for significant participations and for deferred tax assets based on future returns arising from temporary differences. The *Circular del Banco de España 2/2014* and *Circular del Banco de España 3/2014* describe the calendar for the progressive application of these deductions for credit institutions operating in Spain. This calendar is modified by the EU Regulation 2016/445 of March 14, 2016.

4.1.2. Additional Tier 1 Capital

The additional Tier 1 capital elements have been calculated in accordance with the provisions of Chapter 3 of Title 1 of Part Two of the Regulation, and are composed of capital instruments that meet the conditions established in Article 52 of section 1.

As of December 31, 2017, the Group holds the following outstanding issue, consisting of Perpetual Contingent Convertible Bonds (PeCoCos).

Table 14. PeCoCo's outstanding balance as of December 31, 2017

Issuance	Securities issued	Nominal amount (thousands of €)	Balance (thousands of €)
PeCoCo's	49,275,058	49,275	49,021

PeCoCos are bonds convertible into Unicaja Banco ordinary shares with a nominal value of one euro, belonging to a single class and series, represented by book entries. The conversion ratio of these bonds will be that resulting from the ratio of the nominal unit value of PeCoCos issues to the value attributed to Unicaja Banco's ordinary shares, which is set at 1.18827 euros per share, considering the difference between the nominal value of the bonds that are converted and the nominal value of the shares that are received as counterpart as a premium. As of December 31, 2017, these issues are not admitted for trading on any type of secondary market.

This type of bond grants its holders the right to discretionary remuneration, predetermined and non-cumulative, to the conversion into ordinary shares of Unicaja Banco, subject to certain conversion assumptions and to the political rights that derive from belonging to the respective syndicate of noteholders. The shares in which the aforementioned bonds eventually convert will grant their holders the same rights as the Unicaja Banco shares currently in circulation.

The accrual of discretionary remuneration is conditioned on the simultaneous fulfillment of the following four conditions:

- The existence of distributable profits, once the services provided by the law and the Statutes of Unicaja Banco have been covered;
- That there are no limitations imposed by Spanish or European regulations on current or future own resources that may be applicable;
- That the Board of Directors of Unicaja Banco, at its sole discretion, taking into account the solvency situation of Unicaja Banco or Unicaja Banco Group, has not decided to declare a case of non-remuneration, deeming it necessary not to proceed with the payment of compensation for an unlimited period of time, considering in all cases that unpaid interest will not be cumulative;
- That the Bank of Spain has not demanded the cancellation of the payment of the remuneration based on the financial and solvency situation of Unicaja Banco or the Unicaja Banco Group, in accordance with the applicable regulation.

If the conditions indicated in the previous sections are partially applicable, Unicaja Banco may proceed, in its sole discretion, to pay the remuneration partially or to declare an assumption of non-remuneration. If for any reason the remuneration is not paid in full or in part to the bondholders on a payment date, they will not have the possibility of claiming that remuneration.

PeCoCos will necessarily be converted into shares, fully, in the cases indicated below, and partially, in the amount necessary to recover, where appropriate, the imbalance of own resources in the amount set by the competent authority, in the rest:

- Compulsory total early conversion: Bonds will be converted into shares in the following cases: (i) if Unicaja Banco adopts any measure prone to its dissolution and liquidation, voluntary or involuntary, or if it is declared in bankruptcy, or (ii) if Unicaja Banco adopts any measure that has the consequence of approving a reduction of the Entity's capital in accordance with the provisions of article 320 and following of the *Ley de Sociedades de Capital*, or article 343 by referral of article 418.3 of the *Ley de Sociedades de Capital*.

- Contingency events: The bonds will be converted into shares in cases in which the capital ratios of Unicaja Banco Group, calculated quarterly, are below the limits indicated in the note relating to the issuance of these instruments.
- Feasibility events: The bonds will be converted into shares in the following cases: (i) if the Bank of Spain determines that, without the conversion of the instrument, the entity would not be viable, or (ii) if the decision to inject public capital or any other measure of financial support is made, without which the entity would not be viable.
- Regulatory event: The bonds will be converted into shares in the following cases: (i) if with the entry into force of the rules of own resources computability defined in Basel III (CRD IV / CRR) in 2014, the bonds stopped being computable at least as additional Tier 1 capital; (ii) if the bonds cease to be computable as principal capital; or (iii) if the bonds cease to be computable as common capital.

Taking into account the foregoing, the Parent Company Directors consider that these convertible instruments do not imply an unconditional contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities in conditions that are potentially unfavorable for the Group. Therefore, they must be classified as equity instruments, under the heading "Equity instruments issued other than capital" in the Group's consolidated balance sheet.

On March 24, 2017, the Board of Directors of Unicaja Banco, after verifying that the conditions set forth in the issuance prospectus were met, agreed to make the payment of the discretionary remuneration of the PeCoCos issued by the Entity, for a total gross amount of 6,850 thousand euros, for the period between March 29, 2016 and March 28, 2017, being paid on March 24, 2017.

4.1.3. Tier 2 Capital

Tier 2 capital considers subordinated debt issues, based on the limits and deductions established in the Regulation. All subordinated debt issues come after common creditors, for credit ranking purposes. Thus, they are classified as computable for the purpose of the solvency ratio, although the amounts that exceed the percentages referred to in Directive 2013/36 / EU (CRD IV) and Regulation UE 575 / 2013 (CRR) that came into force in 2014 can never compute as own resources.

4.2 Amount of Own Funds

Hereinafter the details of Unicaja Banco Group's own funds, as of December 31, 2017, indicating each of its components and deductions, and broken down into Tier 1 capital (CET1), additional Tier 1 capital (AT1) and Tier 2 capital (T2).

Table 15. Own Funds

CAPITAL REQUIREMENTS	Amount (thousands of €)
TIER 1 CAPITAL (T1)	**3,573,915**
TOTAL COMMON EQUITY TIER 1 (CET 1)	**3,531,781**
Paid up capital instruments	1,610,302
Share premium	1,209,423
Retained earnings	945,545
Capital adjustments of Common Equity Tier 1 due to prudential filters	5,970
Other retained comprehensive income	16,910
Unrealized Earnings Adjustment	-5,557
Deductions from securitization positions	-450
Deductions from goodwill and intangibles assets Deduction	-22,565
Deferred tax assets that rely on future returns	-217,834
CET 1 Holdings in financial sector entities with significant influence	-9,963
TOTAL ADDITIONAL TIER 1 CAPITAL (AT1)	**42,134**
Capital instruments eligible as additional Tier 1 capital	49,020
Deductions from goodwill and intangibles assets Deduction	-5,641
CET 1 Holdings in financial sector entities with significant influence	-1,245
TOTAL TIER 2 CAPITAL (T2)	**76,493**
Generic computable	77,738
CET 1 Holdings in financial sector entities with significant influence	-1,245
TOTAL CAPITAL REQUIREMENTS	**3,650,408**

Unicaja Banco Group closed 2017 with an equity of 3,650,408 thousand euros, representing 15.1% of its risk-weighted assets.

The Group maintains a solid solvency and liquidity position. The high capacity to generate resources, in an unfavorable environment such as the current one, is mainly due to satisfactory profitability margins of the financial intermediation activity, the lower needs for write-downs (both due to the drop in volume of irregular assets as well as the high level of hedges maintained), and the continuity of a strict cost control policy.

The CET1ratio, according to the regulations in force, reaches 14.6%, which also shows the high quality of Unicaja Banco Group's capital, characterized by an absolute dominance of equity and reserves over the rest of the computable elements. The level of capital is widely above all the capital requirements for the Group and those that will be required in the near future.

4.2.1. Changes in Own Funds during the year 2017

On June 29, 2017, in the resolution of the General Meeting of Shareholders held on April 26, 2017, the capital of Unicaja Banco was increased by a nominal amount of 625,000 thousand euros, through the issuance of 625,000 .000 new shares of one euro of nominal value and with a total share premium of 62,500 thousand euros (0.1 euros per share). The incremental costs directly attributable to the issuance of the new shares have been recorded as "Other reserves" of the net assets of the consolidated balance sheet, in accordance with the provisions of the IFRS-EU, amounting to 33,979 thousand euros (23,786 thousand euros considering the fiscal effect).

In addition, on July 25, 2017, a capital increase of 62,500,000 shares of Unicaja Banco, S.A was implemented. This capital increase was agreed by the General Meeting of Shareholders of April 26, 2017 as a complement to the capital increase of 625,000,000 shares previously mentioned, and was foreseen in the Prospectus of the takeover bid for the subscription of Unicaja Banco, on behalf of the members of the syndicate of underwriters, with the objective of covering allocations (Green-Shoe). These shares were fully subscribed with monetary portfolios, with a nominal value of 1 euro per share and an share premium of 0.10 euros per share, which determines an increase in the share capital of the Entity of 62,500 thousand euros and in the share premium of 6,250 thousand euros.

On the other hand, on August 31, 2017, once the pertinent administrative authorizations were obtained and the corresponding corporate resolutions were adopted, Unicaja Banco repurchased from the FROB the 604 million euros of contingent convertible bonds issued by EspañaDuero, resulting in early termination of the repayment commitment provided for in the decision of the European Commission of January 27, 2017. After this repurchase, Unicaja Banco becomes the holder of the aforementioned obligations and becomes an intra-group balance eliminated from the consolidation process.

Finally, on December 14, 2017, Unicaja Banco and EspañaDuero proceeded to acquire from the FROB the holdings in the capital of EspañaDuero, amounting to 20 million euros and 43 million euros, respectively. As a result, of these operations, Unicaja Banco Group's holdings in EspañaDuero has increased from 69.38% to 76.68% in nominal terms, and the treasury stock of EspañaDuero has gone from 2.43% to 19.94%. In this way, the effective participation percentage of Unicaja Banco Group over EspañaDuero has increased from 71.11% (as of the end of 2016) to 95.77% at the end of 2017.

4.2.2. Capital Buffers

The current regulations in force that determine the capital requirements, establish the following capital ratios required for 2017:

- A Common Capital Tier 1 ratio of 4.5%.
- Tier 1 Capital ratio (Common plus additional) of 6%.
- A total capital ratio (including level 2) of 8%.
- An additional capital conservation buffer of 1.25%.

Regarding the countercyclical capital buffer, the Bank of Spain has agreed to set this buffer at 0% for credit exposures in Spain as of January 1, 2016.

On the other hand, as a result of the outcome obtained in the SREP, the European Central Bank required Unicaja Banco Group, for the year 2017, a minimum CET1 ratio of 7.25% and a minimum Total Capital ratio of 10.75% (both phase- in). This requirement includes:

- the minimum Pillar I requirements of 4.5% for CET 1 and of 8% for Total Capital,
- a Pillar II requirement of 1.5%, and
- a capital conservation buffer of 1.25%

In addition, it should be noted that, for the year 2018, the European Central Bank has required for Unicaja Banco Group, within the framework of the aforementioned SREP, a minimum CET1 ratio of 8.125% and a minimum total capital ratio of 11.625% (both phase- in). These requirements are applicable for the year 2018, and include the following:

- The minimum Pillar I requirements of 4.50% for CET1 and of 8% for total capital.
- a Pillar II requirement of 1.75%, and
- a capital conservation buffer of 1.875%.

As of December 31, 2017, the CET1 capital ratio of Unicaja Banco Group stood at 14.6%, bringing the total capital ratio to 15.1% (both including retained earnings for the year). Consequently, with the current levels of capital, Unicaja Banco Group complies with the capital requirements set by the ECB and, therefore, has no limitations on the distributions of the results referred to in Regulation (EU) No 575/2013

As of December 31, 2017 and 2016, the equity of Unicaja Banco Group amounted to 3,650,408 thousand euros and 3,568,811 thousand euros, respectively, of which 3,531,781 thousand euros and 3,468,591 thousand euros, respectively, are part of Common Equity Tier 1 (CET1).

This represents a surplus of Total Capital on own resources requirements (Pillar 1), in accordance with the regulation of the Directive 2013/36 / EU (CRD-IV) and the EU Regulation no. 575/2013 (CRR) of 1,408,277 thousand euros as of December 31, 2017, including a capital conservation buffer of 1.25% (1,396,317 thousand euros as of December 31, 2016, including a buffer of 0.625%). On the other hand, the surplus of CET1 as of December 31, 2017 over the minimum requirements amounts to 2,138,024 thousand euros, including a capital conservation buffer of 1.25% (2,177,688 thousand euros as of December 31 of 2016, including a 0.625% buffer).

The total capital surplus, taking into account the additional requirements (Pillar 2) for Unicaja Bank Group as a result of the SREP for 2017, amounts to 1,044,688 thousand euros as of December 31, 2017, while the surplus of CET 1, considering the SREP requirements for 2017 amounted to 1,774,435 thousand euros on the same date.

4.3 Reconciliation between accounting and regulatory capital

The scope of consolidation is not the same for regulatory purposes and for accounting purposes, resulting in differences between the information used in the calculation of regulatory capital and the equity of the Group's financial statements.

The following table shows the reconciliation between the net accounting equity and the computable capital for regulatory purposes of Unicaja Banco Group:

Table 16: Reconciliation between accounting and regulatory capital

Reconciliation between accounting and regulatory capital		
	Millions of euros	
	2017	**2016**
Subscribed capital	3,856	2,918
Other retained earnings	17	35
Minority interests	29	230
TOTAL EQUITY (in Public Balance Sheet)	**3,902**	**3,183**
Differences between public and reserved Balance Sheet	-	-
TOTAL EQUITY (In reserved Balance Sheet)	**3,902**	**3,183**
Non-computable minority interests	(29)	(55)
Non-computable earnings of the period	(41)	(25)
Deductions	(259)	(211)
Contingent convertible bonds subscribed by the FROB	-	604
Tier 2 Capital	77	78
Other capital adjustments	-	(6)
TOTAL COMPUTABLE OWN FUNDS	**3,650**	**3,569**

5 Capital requirements

5. CAPITAL REQUIREMENTS

The amount of the capital requirements of Unicaja Banco Group, in accordance with the Third Part of the CRR, is presented below for each of the risk types, calculated as 8% of the risk-weighted assets, as of December 31, 2017.

Table 17. Minimum requirements on own resources

Thousands of euros	2017
Credit risk	1,791,127
Market risk	2,162
Foreign exchange and gold position risk	-
Operational risk	139,425
Credit valuation adjustment risk (CVA)	6,427
TOTAL PILAR I REQUIREMENTS	**1,939,140**

5.1 Capital requirements for credit and counterparty risks

Capital requirements for credit and counterparty risk are defined in Regulation 575/2013, Third Part, Title II. Hereinafter the amount of the capital requirements of Unicaja Banco Consolidated Group for credit risk as of December 31, 2017, calculated for each of the categories to which the standard method has been applied.

Table 18. Capital requirements for credit and counterparty risk

Credit risk categories	Amount (thousands of €)
Central governments or central banks	-
Regional governments and local authorities	-
Public sector entities	52,499
Multilateral development banks	-
International organisations	-
Institutions	39,339
Corporates	309,334
Retail customers	252,852
Exposures secured by real estate	456,142
Exposure in default situation	141,806
High-risk exposures	1,175
Covered bonds	2,663
Exposures to institutions and corporates with a short-term credit rating	-
Exposures to collective investment institutions	417
Equity exposures	111,699
Other exposures	404,561
Securitisation positions	18,640
TOTAL CREDIT RISK CAPITAL REQUIREMENTS	**1,791,127**

5.2 Capital requirements for Market Risk

Capital requirements for market risk are defined in Regulation (EU) No. 575/2013, Part Three, Title IV.

The requirements for market risk of the positions held in the trading book of the Consolidated Group as of December 31, 2017 according to the application of the standard method (article 326 et seq. Of the EU Regulation) are detailed below.

Table 19. Capital requirements for market risk

Thousands of euros	RWAs	Requirements
Direct Products		
Interest rate risk (general and specific)	23,813	1,905
Risk of equity instruments	3,213	257
Currency risk	-	-
Commodity risk	-	-
Liquidation risk	-	-
Options		
Simplified method	-	-
Delta-Plus Method	-	-
Scenario-based method	-	-
Securitization	-	-

5.3 Capital requirements for Foreign exchange and gold position risk

If the 2% of the computable own funds are not exceeded, the capital requirements for foreign exchange and gold position risk are deemed to be zero (Article 341 of the EU Regulation).

5.4 Capital requirements for Operational Risk

The amount of capital requirements as of December 31, 2017 for operational risk has been calculated based on the standard method, amounting to **139,425 thousand euros**.

5.5 Capital requirements for Credit Valuation Adjustment Risk (CVA)

Credit valuation adjustment refers to an adjustment of the valuation of the portfolio of transactions with a counterparty to average market prices.

This adjustment will reflect the current market value of the counterparty's credit risk with respect to the entity, but will not reflect the current market value of the entity's credit risk with respect to the counterparty (article 381 of the CRR).

The amount of the requirements of Unicaja Group as of December 31, 2017 for counterparty risk, based on the standard method, is **6,427 thousand euros**.

5.6 Procedures applied to assess the adequacy of internal capital

In accordance with the provisions of Section 1 of Chapter 2 of Directive 2013/36 / EU (CRD IV), Unicaja Bank Group evaluates the adequacy of its internal capital following the supervisory expectation and the EBA guidelines and recommendations, through the Internal Capital Adequacy and Assessment Process (ICAAP). Within this process, Unicaja Bank Group carries out a series of procedures for the measurement of internal capital needs that, in addition to the maintenance of regulatory minimum own funds, allow it to define and maintain an adequate level of equity.

The Group ensures that own resources are consistent with the risks inherent to its activity, the economic environment in which it operates, the management and control it carries out of these risks, the governance systems available to it, its strategic plan of business and its real possibilities of obtaining greater own resources.

As a starting point, within the ICAAP framework, the Entity has a periodic process of identification of material risks that allows it to identify and keep updated the risks to which the Entity may have a material exposure.

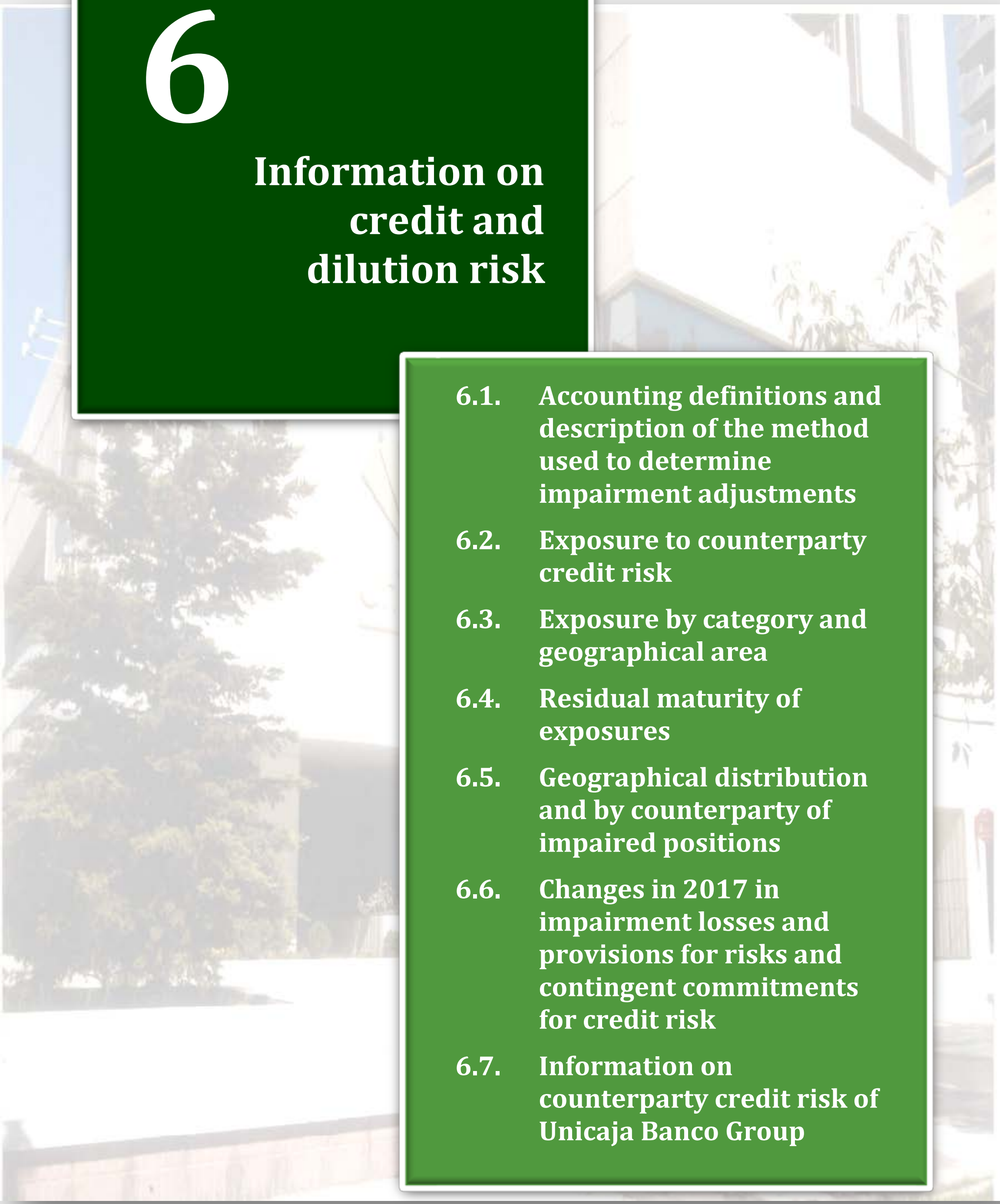
To determine the materiality of the risks, specific objective internal methodologies are used for each risk, based on quantitative analysis and founded on the methodologies used by the authorities and on stress tests and reverse stress test. The level of risk measured is compared with a threshold of homogeneous materiality established for all risks and referenced to potential impacts on results or solvency.

The material risks identified are managed prudently, through their control and monitoring through the Risk Appetite Framework, and are subject to quantification of internal capital.

In order to carry out such quantification and capital allocation, the Entity uses specific objective internal methodologies for each material risk, consistent with the methodologies used in the evaluation of material risks. Additionally, for the internal capital allocation of the Pillar I risks, an allocation floor is set, corresponding to the minimum regulatory capital.

The internal capital allocated by the Unicaja Group, in line with the guidelines of both the EBA and the ECB, is calculates as the simple sum of the internal capital assigned to each of the material risks, obviating any possible effect of diversification among different risk types.

The internal capital of which Unicaja Group disposes to cover the capital needs for material risks is constituted by the capital instruments (CET1, AT1 and T2) defined according to Title One of the Second Part of Regulation (EU) 575/2013, thus guaranteeing its quality and sufficiency.



6 Information on credit and dilution risk

6. INFORMATION ON CREDIT AND DILUTION RISK

6.1 Accounting definitions and description of the methods used to determine impairment adjustments

The concepts of delinquency and impaired positions that have been referred to in this document are based on IFRS (International Financial Reporting Standards).

In note 2.7 of the notes to the consolidated annual accounts of Unicaja Banco Group for the year 2017, information regarding the "impairment of the value of financial assets" can be found.

Additionally, note 10.2 shows a detail of the financial assets classified as credit investments and considered as impaired due to their credit risk, as well as those that, without being considered as impaired, have some amount due. They are classified by counterparty, as well as depending on the period elapsed from the expiration of the due amount.

In turn, note 10.3 presents a detail on the evolution of credit risk hedging.

6.2 Exposure to credit and counterparty risk

The total value of the credit risk exposures of the Consolidated Group as of December 31, 2017, after the adjustments indicated in article 111 of the Regulations and of value corrections for corresponding impaired assets, amounting to 57,236,095 thousand euros (including securitization positions) without considering the effects of the credit risk reduction.

The following table presents the average value during fiscal year 2017 of those exposures to credit risk, net of adjustments and impairment losses recorded, to which the standard method has been applied to estimate its capital requirements credit and dilution risk.

Table 20. Average value of exposures to credit risk (standard method))

Credit risk categories	**Average exposure (thousands of €)**
Central governments or central banks	17,005,491
Regional governments and local authorities	1,464,558
Public sector entities	1,067,021
Multilateral development banks	0
International organisations	0
Institutions	1,456,464
Corporates	3,735,501
Retail customers	4,802,547
Exposures secured by real estate	16,287,699
Exposure in default situation	1,717,561
High-risk exposures	6,919
Covered bonds	232,749
Exposures to institutions and corporates with a short-term credit rating	0
Exposures to collective investment institutions	34,419
Equity exposures	992,679
Other exposures	5,150,494
Securitisation positions	990,009
Average exposure for credit and dilution risk	**54,944,111**

Moreover, art. 291 of the CRR determines that there is a risk of adverse correlation when the probability of default of the counterparts is positively correlated with the general factors of market risk. The specific risk of adverse correlation will be given if it is foreseeable that the future exposure to a specific counterparty will be high when the probability of default of the counterparty is also high.

As of December 31, 2017, the risk of these effects occurring is minimal to the extent that there is no relevant exposure in this regard.

6.3 Exposure by category and geographical area

Hereinafter a breakdown of the credit risk exposures of Unicaja Banco Group, as of December 31, 2017, following the application of the adjustments established in accordance with Articles 34 and 110 of Regulation 575/2013 and other capital deductions. funds related to the asset's item, broken down by geographical area.

Table 21. Credit risk exposure by geographical area

Geographical area	Exposure amounts (thousands of €)
Spain	51,642,016
Rest of the EU	3,204,952
Rest of the world	88,173
Total Exposure as of December 31, 2017	**54,935,141**

The following table shows the distribution by type of counterparty of the exposures to credit risk, net of adjustments and impairment losses recognized, as of December 31, 2017 of the Group, to which it has been applied the standard method for calculating the own funds requirements for credit risk.

Table 22. Credit risk exposure by counterparty type

Credit risk category	Exposure (thousands of €)
Central governments or central banks	18,269,267
Regional governments and local authorities	1,474,291
Public sector entities	1,052,324
Multilateral development banks	0
International organizations	0
Institutions	859,640
Corporates	3,957,938
Of which: SMEs	*1,768,564*
Retail customers	4,573,288
Of which: SMEs	*1,505,073*
Exposures secured by real estate	16,060,815
Of which: SMEs	*756,837*
Exposure in default situation	1,620,673
High-risk exposures	9,795
Covered bonds	230,694
Exposures to institutions and corporates with a short-term credit rating	0
Exposures to collective investment institutions	5,211
Equity exposures	990,785
Other exposures	5,170,976
Securitisation positions	659,444
Total Exposure as of December 31, 2017	**54,935,141**

6.4 Residual maturity of exposures

The following table shows the distribution by term of residual maturity of the Group's exposures to credit risk as of December 31, 2017, net of adjustments and impairment losses recorded, of those exposures to which the standard method has been applied, including securitization positions, for the calculation of own funds requirements.

Table 23. Residual maturity of exposures to credit risk (thousands of euros)

Exposure categories of the standard method including securitisation positions	On demand	< 3 months	3 months – 1 year	1 – 5 years	> 5 years	Total
Central governments or central banks	-	920	137	4,703	12,510	**18,270**
Regional governments and local authorities	0	60	339	460	616	**1,474**
Public sector entities	0	20	32	473	528	**1,052**
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Institutions	0	152	92	257	358	**860**
Corporates	2	244	897	1,926	889	**3,958**
Retail customers	4	134	580	846	3,010	**4,573**
Exposures secured by real estate	0	3	23	564	15,471	**16,061**
Exposure in default situation	99	7	25	159	1,331	**1,620**
High-risk exposures	-	-	-	9	-	**9**
Covered bonds	-	-	51	180	-	**231**
Exposures to institutions and corporates with a short-term credit rating	-	-	-	-	-	**-**
Exposures to collective investment institutions	-	-	-	-	5	**5**
Equity exposures	-	-	-	-	991	**991**
Other exposures	0	20	3	15	5,133	**5,171**
Securitisation positions	-	225	71	223	140	**659**
Total Exposure as of December, 31 2017	104	1,786	2,249	9,815	40,981	**54,935**

6.5 Geographical distribution and by counterparty of impaired positions

Hereinafter the value of impaired exposures and of those that are in default as of December 31, 2017, broken down by significant geographical areas and the provisions for risks and contingent commitments:

Table 24. Impaired and defaulted exposures, and their provisions, by geographical area (thousands of euros)

Geographical area	Doubtful exposures
Spain	2,682
Rest of the EU	19
Rest of the world	9
Total	2,710

Table 25. Impaired exposures y counterparty

Thousands of euros	Dic-17
GROSS EXPOSURE	
Credit to Public Administrations	**2**
Credit to the Private Sector	**2,708**
Corporates	**1,071**
Real estate development and construction	351
SMEs and self-employed	653
Other companies	66
Individuals	**1,637**
Mortgage	1,136
Others	501
Temporary acquisitions and unclassified risk	**0**
Total doubtful exposures	**2,710**
IMPAIRMENT PROVISIONS	
Credit to Public Administrations	**0**
Credit to the Private Sector	**1,347**
Corporates	**614**
Real estate development and construction	249
SMEs and self-employed	327
Other companies	38
Individuals	**733**
Mortgage	414
Others	319
Temporary acquisitions and unclassified risk	**8**
Total provisions for impairment	**1,355**
Of which: individually determined	*192*
Of which: collectively determined	*1,163*

6.6 Changes in 2017 in impairment losses and provisions for risks and contingent commitments for credit risk

The changes that have occurred during the year 2017 in the impairment losses for credit risk recorded by Unicaja Banco Group and in the provisions for risks and contingent commitments for credit risk are in accordance with the provisions of the IFRS, both in the type of losses and provisions established, as in the methodology applied for its calculation.

The details of the changes made in 2017 in the value adjustments for impairment of assets and in provisions for risks and contingent commitments due to credit risk are included in notes 10.3 and 18 of the notes to the consolidated annual accounts of Unicaja Bank Group for the year 2017.

In addition, note 27 of the report of the consolidated annual accounts for 2017 of Unicaja Banco Group shows the movement in 2017 of the impaired financial assets of the Unicaja Banco Group, which are not recorded in the balance sheet because its recovery is considered remote., although the actions to obtain the recovery of the amounts pending have not been interrupted.

6.7 Information on counterparty credit risk of Unicaja Banco Group

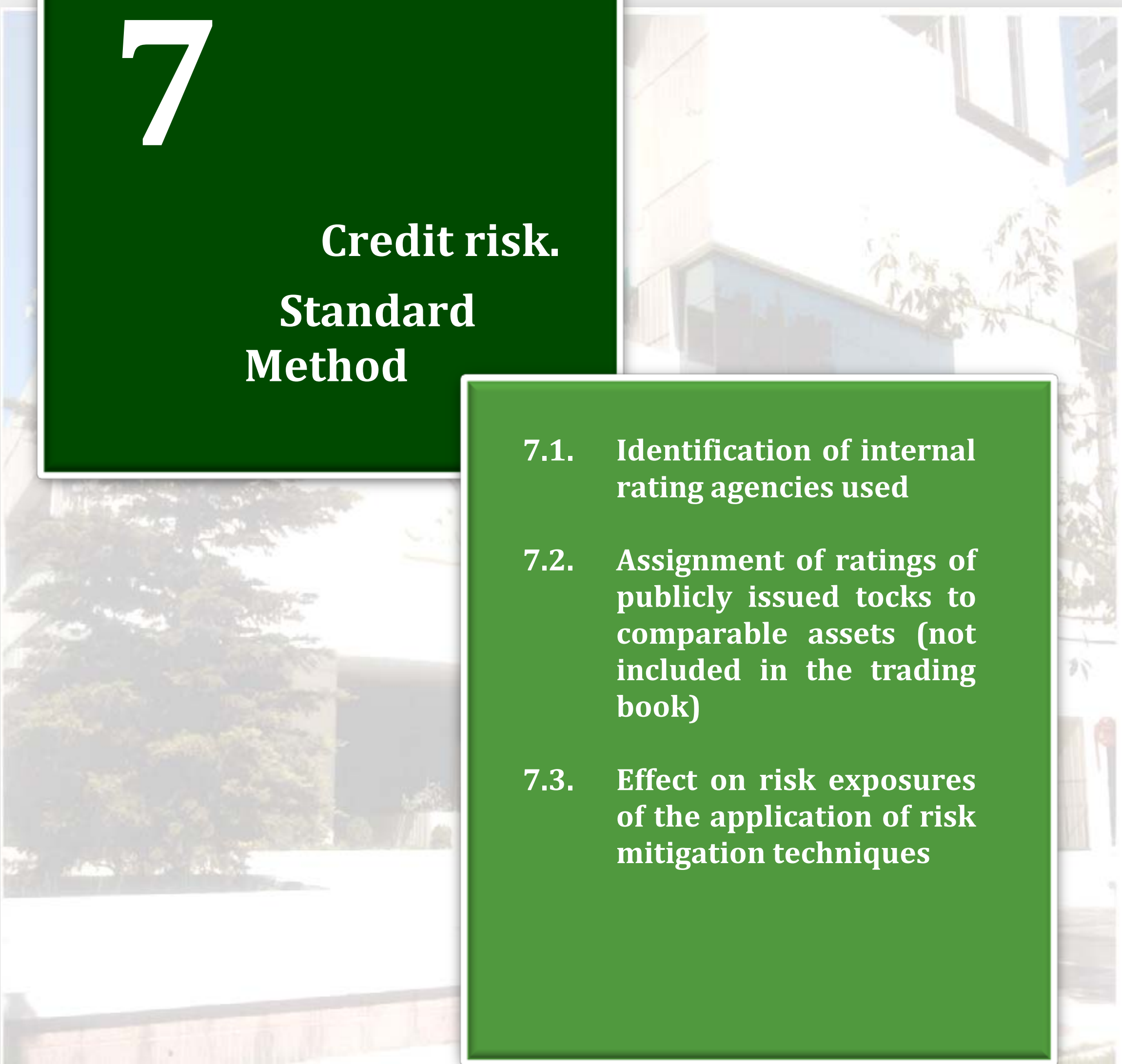
Counterparty credit risk, in accordance with article 272 of Chapter 6 of the Regulations, is considered to be the risk that the counterparty in an operation may default before the final settlement of the cash flows of that operation.

Hereinafter a detail of the credit exposure of Unicaja Banco Group to counterparty credit risk for its derivative transactions as of December 31, 2017, estimated as the amount of the credit exposure of Unicaja Banco Group for these financial instruments, net of the effect of the corresponding contractual compensation agreements and the guarantees received from the counterparties.

Table 26. Exposure to counterparty risk (derivatives)

Counterparty risk (derivatives)		**Thousands of €**
Positive fair value of the contracts		475,311
Minus: Effect from settlement agreements	-	16,264
Credit exposure after settlement		459,048
Minus: Effect of collateral received	-	295,964
Net exposure to derivatives		163,084

Exposure to counterparty risk is measured by adding to the market value (mark to market) of the instrument an estimate of future potential risk. This estimate is the result of multiplying the nominal value of the operation by a specific factor (add-on) depending on the type of risk instrument and its expiration. The collateral provided by the counterparties mitigates the exposure.



7

Credit risk. Standard Method

7.1. Identification of internal rating agencies used

7.2. Assignment of ratings of publicly issued tocks to comparable assets (not included in the trading book)

7.3. Effect on risk exposures of the application of risk mitigation techniques

7. CREDIT RISK. STANDARD METHOD

7.1 Identification of external rating agencies used

The external credit rating institutions used, where appropriate, by Unicaja Bank Group to determine their risk weights applicable to their exposures are those designated by the European Central Bank.

The exposures for which the external credit rating institutions are used are those corresponding, mainly, to fixed income, loans to large companies, public administrations and institutions.

7.2 Assignment of ratings of publicly issued tocks to comparable assets (not included in the trading book)

For the assignment of credit ratings, Unicaja Banco Group applies the rules defined in article 138 of the Regulations:

- When for a exposure there is only a credit rating available, it will be used to determine the risk weighting.
- When for a exposure two credit ratings are available and these correspond to two different risk weights, the highest risk weight will be applied.
- When more than two credit ratings are available for a given exposure, the two credit evaluations that produce the lowest weights will be used. In the event that they differ, the higher of the two will apply.

Unicaja Bank Group updates the entries or withdrawals of ratings that have taken place and the ratings are stored in an information repository generating an external ratings history of each client.

7.3 Effect on risk exposures of the application of risk mitigation techniques

Hereinafter a breakdown of the Group's credit risk exposures as of December 31, 2017, to which the standard method has been applied for its estimation, before and after applying the risk mitigation techniques allowed by the Regulations, broken down by exposure category and by credit quality grades (measured according to the percentage applied for the calculation of the value of risk-weighted exposure).

Table 27. Effect of the application of risk mitigation techniques for credit risk exposures (millions of euros)

Credit risk categories		0%	2%	10%	20%	35%	50%	75%	100%	150%	Other	TOTAL
Central governments or central banks	Net exposure.	15,448	-	-	-	-	-	-	-	-	-	15,448
	Adjusted value.	18,287	-	-	-	-	-	-	-	-	-	18,287
Regional governments and local authorities	Net exposure.	1,543	-	-	-	-	-	-	-	-	-	1,543
	Adjusted value.	1,560	-	-	-	-	-	-	-	-	-	1,560
Public sector entities	Net exposure.	282	-	-	-	-	416	-	641	-	-	1,340
	Adjusted value.	283	-	-	-	-	416	-	621	-	-	1,320
Institutions	Net exposure.	-	2,341	-	194	-	144	-	385	-	-	3,065
	Adjusted value.	-	143	-	194	-	146	-	386	-	-	869
Corporates	Net exposure.	-	-	-	-	-	18	-	7,478	10	-	7,507
	Adjusted value.	-	-	-	-	-	18	-	4,872	10	-	4,901
Retail exposures	Net exposure.	-	-	-	-	-	-	5,843	-	-	-	5,843
	Adjusted value.	-	-	-	-	-	-	5,780	-	-	-	5,780
Mortgages and exposures secured by real estate	Net exposure.	-	-	-	-	15,536	544	-	-	-	-	16,080
	Adjusted value.	-	-	-	-	15,536	544	-	-	-	-	16,080
Exposures in default situation	Net exposure.	-	-	-	-	-	-	-	1,427	321	-	1,748
	Adjusted value.	-	-	-	-	-	-	-	1,423	320	-	1,743
High-risk exposures	Net exposure.	-	-	-	-	-	-	-	-	10	-	10
	Adjusted value.	-	-	-	-	-	-	-	-	10	-	10
Covered bonds	Net exposure.	-	-	129	102	-	0	-	-	-	-	231
	Adjusted value.	-	-	129	102	-	-	-	-	-	-	231
Exposures to collective investment institutions	Net exposure.	-	-	-	-	-	-	-	5	-	-	5
	Adjusted value.	-	-	-	-	-	-	-	5	-	-	5
Equity exposures	Net exposure.	-	-	-	-	-	-	-	720	-	270	991
	Adjusted value.	-	-	-	-	-	-	-	720	-	270	991
Other exposures	Net exposure.	499	-	-	10	-	-	-	4,408	-	262	5,179
	Adjusted value.	499	-	-	10	-	-	-	4,406	-	262	5,177
Securitisation exposures	Net exposure.	-	-	-	339	-	319	-	265	-	2	925
	Adjusted value.	-	-	-	339	-	319	-	-	-	2	659

8

Securitisations

8. SECURITISATIONS

8.1 General information on securitisations

As of December 31, 2017 there is no transfer of financial assets of the group through securitization instruments. There is also no commitment of implicit support to the securitization programs carried out by the Entity.

The main function that the Group performs in the securitization activity is as an investor through the acquisition of securitization bonds issued by other entities. Also, among these investments are positions in which the entity itself is in turn originator of mortgage bonds.

The Unicaja Bank Group does not have securitization exposures against the trading book.

- Risks associated to the securitisation operations.

Among the main risks associated with the securitization activity, on the investment side, the following risks stand out: credit, liquidity, prepayment and base.

In relation to the risk in terms of the priority of the securitization positions, the securitization bonds consist of certain tranches based on their credit risk. In order of increasing credit quality, these are:

- First lost tranche
- Intermediate risk tranche
- Senior tranche

As of December 31, 2017, 99.6% of the securitization exposures of Unicaja Banco Group correspond to senior tranches.

- Description of the processes applied to monitor the variations of credit and market risk of the securitization exposures.

The Unicaja Bank Group periodically monitors the securitisations of which it has an active position, using the market price among others. As of December 31, 2017, 97.1% of the securitization exposure has a market value.

- Description of the policy that the Entity applies with respect to the use of personal guarantees to mitigate the risks.

The Unicaja Banco Group does not use personal guarantees specifically for the purpose of mitigating the risks of retained securitization exposures.

- Types of SSPE used by the Entity to securitize exposures to third parties.

Unicaja Bank Group has not participated in any securitization as a sponsor.

- Description of the internal evaluation method.

Unicaja Banco Group does not use internal evaluation methods.

Note 2.19 of the consolidated annual accounts of Unicaja Banco Group describes the accounting policies related to the transfer of assets.

8.2 Exposure in securitisation positions

Hereinafter a detail of the type of positions held in these operations by the Consolidated Group as of December 31, 2017, to which the treatment set forth in article 251 of the Regulations is applied for the purpose of calculating exposures to credit risk.

Table 28. Exposure in securitisation positions

Type of securitisation	Exposure amount (thousands of €)
Positions held on securitisations in which the Group acts as originator	618,698
Positions acquired in securitisations in which the Group acts as investor	305,909

Hereinafter the breakdown of net positions after the substitution effects of the credit risk reduction maintained by Unicaja Bank Group as of December 31, 2017, broken down by risk weight tranches to which they are assigned:

Table 29. Exposure in securitisation by credit quality level

Types of securitisation positions	**Exposure amount (thousands of €)**
Level 1 (weighted at 20%)	338,669
- Level 2 (weighted at 50%)	318,625
- Level 3 (weighted at 100%)	0
- Level 4 (weighted at 350%)	2,151
Positions deducted from own funds	450
Total securitisation positions	**659,894**

9 Credit Risk mitigation techniques

9. CREDIT RISK MITIGATION TECHNIQUES

9.1 General Information

9.1.1 Policies and processes used for credit risk mitigation

In order to reduce exposure to credit risk and in compliance with the third part, Title II, Chapter 4 of Regulation (EU) 575/2013 (CRR), Unicaja admits guarantees that support the executed financial operations. On their own, the guarantees do not justify the assumption of risk; however, it is necessary to evaluate them in light of possible contingencies.

With regard to guarantees, the following requirements are evaluated:

a) The selection of guarantees is based on their liquidity and effectiveness, according to the following order:

- Pledge of cash deposits, pledging of securities and other assets.

- Mortgages on homes, offices, warehouses and finished multi-purpose buildings and mortgages on rural properties (previous charges deducted, if applicable).

- Personal (guarantees, sureties, incorporation of guarantors, etc.), which imply the direct and joint responsibility of the parties involved in the transaction, being persons or entities whose financial solvency is sufficiently verified to ensure full reimbursement of the transaction.

b) The amount of the guarantees must fully cover the risk assumed for all concepts, including interest. In the case of real estate guarantees, the Entity adopts a prudent relationship between the amount of the loan or credit (and its potential extensions) and the value of the guarantee. The value of the guarantee will be the mortgage value according to ECO 805/2003 or, in case of subsequent valuation, a statistical update of it.

c) Commercial discounts involve, in general, the formalization of the corresponding coverage/counterguarantee policy.

9.1.2 Applied techniques and accepted guarantees

The main risk reduction techniques applied, according to the second section of chapter 4 of title II of the third part of the CRR, are the following:

- Credit risk coverage with real guarantees (mainly mortgages) or similar instruments, for example, cash deposits or fixed income issued by the central administration.
- Credit risk coverage with personal guarantees. These guarantees are granted by solvent entities such as administrations and central banks, regional administrations, public sector entities.

Unicaja Banco Group as of December 31, 2017 has no credit derivatives.

In strict application of the third section of chapter 4 of the CRR, the above techniques will be admissible if the following requirements are met:

- Value and quality of the guarantee.
- Risk assessment and control.
- Documentation and legal certainty of the guarantee.
- Documentation and execution of the guarantee.
- Insurance contracts.

Unicaja Banco Group has an asset valuation policy for normal, special surveillance and doubtful exposures, and uses, according to the type of property, automated value estimates or appraisals according to ECO 805/2003. In addition, this policy contemplates the valuation of assets for normal exposures when a significant fall in value is detected.

9.1.3 Types of guarantors and counterparty risk in credit derivatives

With regard to counterparty risk, Unicaja Banco Group operates with collateral agreements, which valued on a daily basis, for derivatives operations and collateral management.

These bilateral agreements are signed with the counterparts with which they operate bilaterally and involve a deposit of cash as collateral. This deposit covers the net position of the credit risk originated by the operation of derivatives. In the case of derivatives subject to a collateral agreement, they are valued daily, so that with this periodicity a collateral amount to be paid or received from the counterparty is obtained. Unicaja Banco carries out daily monitoring of the subject transactions and the deposits made by the counterparts. The amount of the collateral is requested if it is to receive, or, otherwise, the demand received from the counterparty is met.

Thus, there is no material risk. In the correlation between guarantee and guarantor in derivatives operations, because the collateral received is effective,

Additionally, given the possibility of a decrease in the credit rating of Unicaja Banco Group, the effect that it could have on real guarantees that the Group should contribute is reduced, since the number of collateral agreements conditioned by the rating of the Entity It is not significant.

9.2 Quantitative information

Hereinafter the distribution of the credit risk exposure of the Unicaja Banco Group as of December 31, 2017, broken down according to the application or not of credit risk reduction techniques and, where appropriate, the credit risk reduction technique applied. Exposure data refers to exposures prior to the application of risk reduction techniques[1].

Table 30. Exposures to credit risk by application or not of risk reduction techniques

Credit risk exposure	**Amount (thousands of €)**
Exposure not subject to credit risk mitigation techniques	54,457,832
Exposure subject to credit risk mitigation techniques	5,456,275
- Settlement agreements for balance sheet operations	295,964
- Settlement agreements related to repurchase agreements, securities or commodities lending or other operations linked to equity markets	0
- Real guarantees	2,300,951
- Other real guarantees	0
- Hedges based on personal guarantees	2,859,360

Personal guarantees

Hereinafter the total value of the exposures as of December 31, 2017, which are covered through the application of risk reduction techniques based on the use of personal guarantees:

Table 31. Exposures to credit risk covered by personal guarantees

Risk category	**Permissible personal guarantees (thousands of €)**
Public sector entities	17,163
Institutions	-
Corporates	2,575,142
Retail customers	183
Exposures in default situation	1,711
Securitisation exposures	265,163

[1]Real guarantees includes transactions guaranteed by means of debt securities, shares, collection rights and real rights over real estate acquired as a credit risk reduction technique.

Real guarantees

Hereinafter the value of the exposures as of December 31, 2017, covered by the application of risk reduction techniques consisting of the use of real guarantees:

Table 32. Exposures to credit risk covered by real guarantees

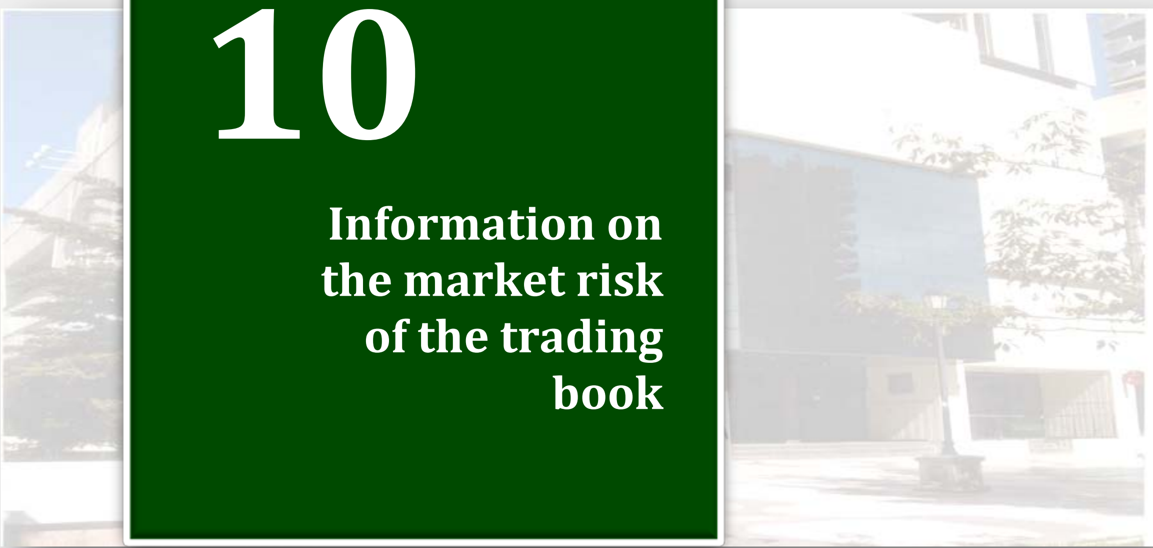
Risk category	Permissible personal guarantees (thousands of €)
Regional governments and local authorities	202
Public sector entities	3,567
Institutions	2,197,878
Corporates	31,066
Retail customers	62,694
Exposures in default situation	3,341
Others	2,203

As discussed above, among the counterparty risk mitigation techniques, Unicaja Group uses netting agreements.[2].

[2] In note 31.7 of the consolidated annual accounts report, more detail is presented about netting agreements and guarantees.

10

Information on the market risk of the trading book



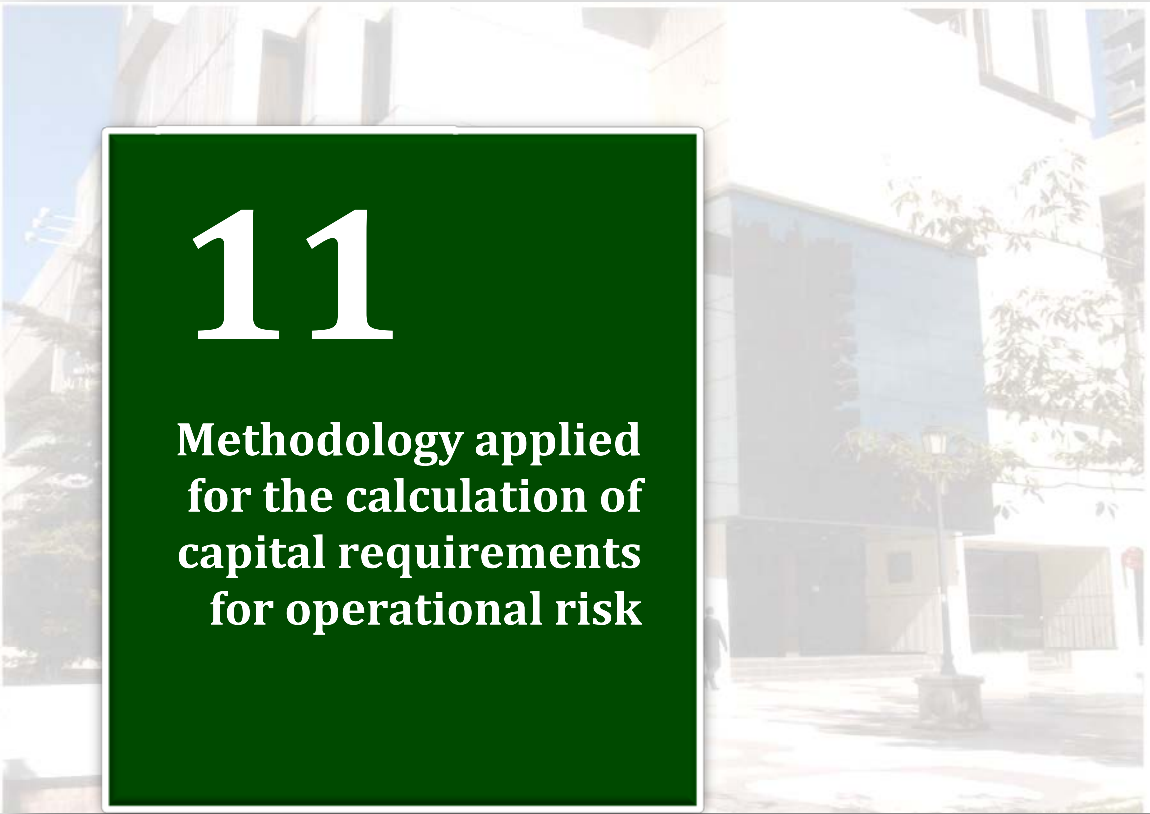
10. INFORMATION ON THE MARKET RISK OF THE TRADING BOOK

For the purpose of calculating the own funds requirements associated with the trading book, it should be noted that Unicaja Bank Group considers as such those positions in financial instruments that are held with the intention of trading or that serve as hedges to the elements of such portfolio.

For the purposes of calculating the capital requirements of Unicaja Banco Group, the trading book does not differ from the one defined in accordance with the provisions of IFRS, with respect to debt securities and equity instruments.

The capital requirements for price risk associated with the trading book as of December 31, 2017 amounted to 2,162 thousand euros.

As of December 31, 2017, there is no exposure to large risks that exceeds the specified limits.



11

Methodology applied for the calculation of capital requirements for operational risk

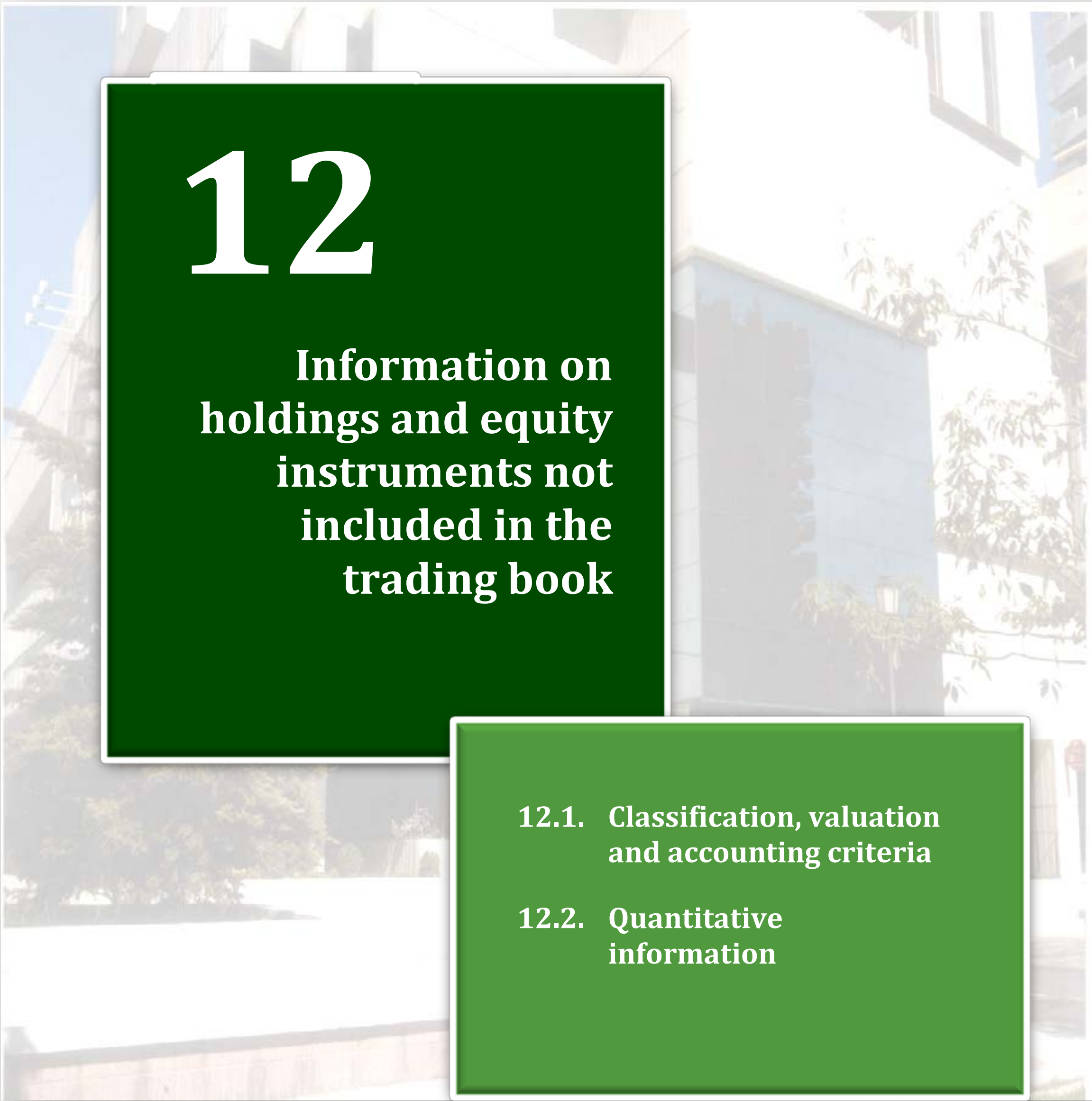
11. METHODOLOGY APPLIED FOR THE CALCULATION OF CAPITAL REQUIREMENTS FOR OPERATIONAL RISK

Unicaja Banco uses the standard method for the calculation of operational risk since December 31, 2017. In this sense, the entity complies with articles 316-320 of the CRR, in an exercise of adaptation to the regulatory needs. Thus, during 2017 the evolution of the internal management and control methodologies occurred in order to carry out the change of method, an action that entails a favorable impact on capital for operational risk.

The calculation of capital is therefore to be determined on a 15% base of the Relevant Indicator, to a weighted distribution according to the business lines, established in article 317 of the CRR, where the weighting coefficient ranges between 12% -18%.

As of December 31, 2017, the requirements for operational risk are € 139,425 thousand.

Operational risk management evolves to a double perspective, where the predictive behavior of operational losses (qualitative management) is of particular importance, with the implementation of preventive control systems capable of identifying exposures to risks under a set of monitoring metrics aligned with the growing needs of the industry. On the other hand and complementing the preventive management, Unicaja has evolved the system of recording and identifying events of operational losses. Following the normative guidelines of the standard model, it has sought to adapt the processes to the requirements of identification of non-financial risks.



12

Information on holdings and equity instruments not included in the trading book

12. INFORMATION ON HOLDINGS AND EQUITY INSTRUMENTS NOT INCLUDED IN THE TRADING BOOK

12.1 Classification, valuation and accounting criteria

Notes 1.12.2 and 2.2 of the consolidated annual accounts report for the year 2017 include a description of the portfolios in which the holdings and equity instruments owned by the Group are classified, together with the registration and valuation accounting criteria that apply to each of them. These notes also indicate the models and assumptions applied to determine the value of the instruments included in each portfolio.

Shares and capital instruments not included in the trading portfolio are classified as:

- Portfolios available for sale.
- Holdings.

Regardless of its accounting classification, Unicaja Bank Group has defined criteria for the classification of holdings and equity instruments not included in the trading portfolio, in particular as regards the permanence or stability of investments.

12.2 Quantitative information

The book value of the shares owned by the Group as of December 31, 2017 is 1,019,005 thousand euros.

The consolidated balance sheet discloses the book value of the equity instruments classified as available-for-sale assets accounted for at their fair value and that of the equity.

Hereinafter detail is presented on the exposures to holdings and equity instruments held by the Group as of December 31, 2017, without including exposures in instruments that form part of the trading portfolio, as it has been defined for the purposes of own resources requirements.

Table 33. Exposure to holdings and equity instruments not included in the trading book

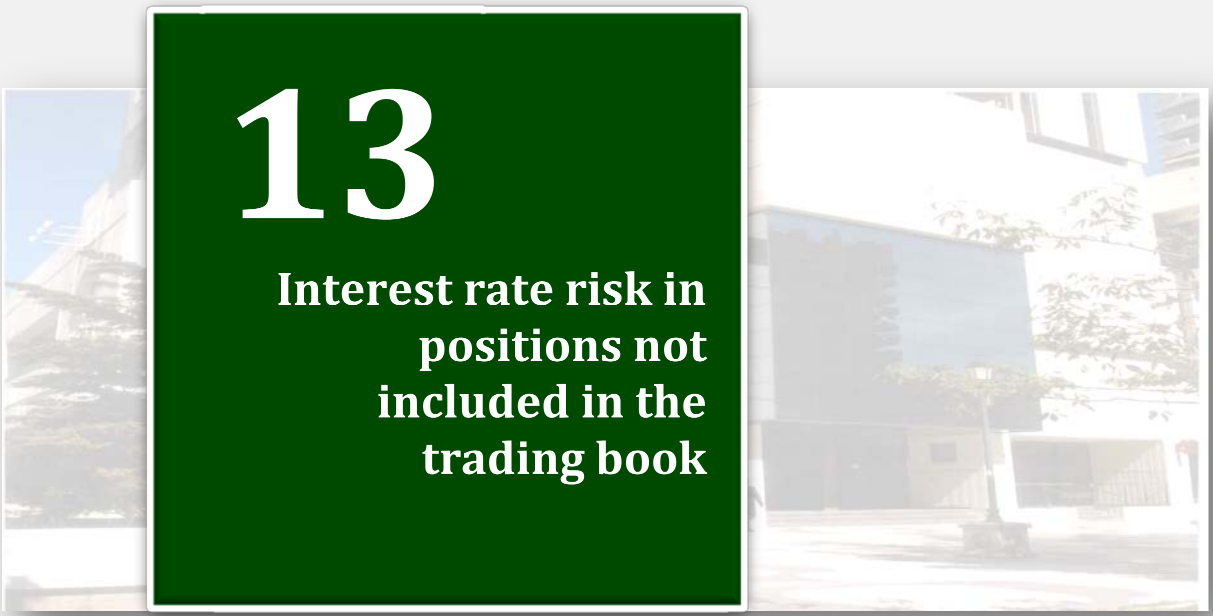
Holdings	Exposure (thousands €)
Equity instruments listed in organized markets	190,775
Equity instruments not listed in organized markets	828,230
Total	**1,019,005**

As of December 31, 2017, there are no significant differences between the market value and the book value of the listed portfolio.

The amount of the profits registered by the Group in the year 2017 for sales of shares classified as financial assets available for sale, has amounted to 46,808 thousand euros.

Note 9 of the report of the Group's consolidated annual accounts details the most significant movements in the mentioned portfolio, among which the disposal of 38,423,908 securities of Iberdrola, SA, for an amount of 265,336 thousand euros, has been highlighted, generating a positive result of 32,780 thousand euros.

The unrealised capital losses, net of taxes, of investments in equity instruments classified as available for sale recorded in the equity of Unicaja Banco Group amounted to 890 thousand euros.



13

Interest rate risk in positions not included in the trading book

13. INTEREST RATE RISK IN POSITIONS NOT INCLUDED IN THE TRADING BOOK

The interest rate risk in the banking book (IRRBB) refers to the current or future risk of the entity's equity and margin, as a result of the impact of adverse fluctuations in interest rates.

The management of interest rate risk is carried out in an integrated way by the Assets and Liabilities Committee (ALCO). This committee is in charge of putting into practice the procedures that ensure that Unicaja Banco Group complies with the interest rate risk control and management policies that are set by the Board of Directors.

An excessive IRRBB can threaten the bank's current capital base and/or future earnings if it is not managed properly. Changes in interest rates may affect the underlying economic value of the bank's assets, liabilities and off-balance sheet instruments, since the present value of future cash flows (and in many cases, the actual amount of cash flows) varies as these movements occur. Likewise, changes in interest rates also affect the bank's profits, by increasing or decreasing its net interest income (NII) and the level of other income and operating expenses sensitive to interest rates.

Unicaja considers all the sources, or subcomponents, that originate the IRRBB, which are:

- **Repricing**: risk related to temporary differences in the maturity and the review of the interest rates of the assets and liabilities inside and outside the balance sheet of the entity.
- **Curve risk**: risk derived from changes in the slope and shape of the yield curve.
- **Base risk**: risk derived from exposure to an interest rate, which is instrumented through exposure to another interest rate with different conditions.
- **Optionality risk**: risk derived from the options on interest rates, including those implicit in other products, and that depend on the behavior of the entity's clients. These options are automatic, prepaid portfolio and cancellation of deposits.

Unicaja analyzes the materiality of the different sub-components of the IRRBB and assigns capital to them according to the IRRBB Capital Adequacy Manual. The monitoring of the different subcomponents is carried out according to their materiality.

The Entity has established management and control indicators to know the evolution of the IRRBB, as well as criteria for measuring and monitoring limits and alerts on a recurring basis, so that the assumed risk is continuously monitored, both of the excesses that may occur on the limits, as well as the corrective measures that could be established.

In this regard, the measurement and analysis by Unicaja Banco Group of this risk are carried out considering the following aspects and in accordance with the following premises:

- The measurement and risk analysis are carried out in a permanent way.
- The effects on the results of Unicaja Bank Group and on the different margins of the profit and loss account could have variations in the interest rates in the different currencies in which significant exposures are maintained.
- The analysis includes all positions that are sensitive to interest rate risk, including derivatives on interest rates, both implicit and explicit, and excluding positions that are part of the trading book, as described previously.
- In order to analyze the maturity dates of the transactions, although the contractual maturity term of the transactions is generally considered, there are operations in which another type of hypothesis is considered in terms of their maturity, either because their maturity dates are not defined or becasuse they show a behavior of stability or early repayments before maturity that differs significantly from their contractual conditions.
- The effects (both in economic value and in the three-year interest margin) of the movements of the parallel and non-parallel interest rates based on the six scenarios defined by Basel in "Standards Interest rate risk in the banking book" are analyzed. (April 2016), defining eight different scenarios from these.

Based on the above analysis, Unicaja Bank Group adopts the necessary measures to guarantee an optimal management of this risk.

Note 28 of the consolidated annual accounts of Unicaja Banco Group for year 2017 includes information about its level of exposure in equity and profit and loss account, for the purposes of future reasonable changes in the level of the prevailing interest rates, considering the effects of hedging activities, performing an analysis of the result of an increase and reduction of 100 basis points in interest rates, as well as certain information on sensitivity to interest rates, and the criteria that has served as the basis for preparing such information, with all the relevant hypotheses that have been handled.

14 Leverage ratio

14. LEVERAGE RATIO

Hereinafter the information required in the template on qualitative aspects "LRQua", set out in Annex I of the Implementing Regulation (EU) no. 200/2016, which establishes technical standards in regard to the disclosure of the leverage ratio, in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council.

Table 34. LRQua: Free sets for the disclosure of qualitative information

Fila		
1	Description of the procedures applied to manage excessive leverage risk	According to Regulation (EU) No. 575/2013, in its Part Seventh, Article 429 (in October 2014 the European Commission modified the CRR to adopt a new calculation method), the leverage ratio is calculated as Tier 1 capital of the entity divided by the total exposure of the entity and expressed as a percentage. This ratio relates the assets of the Group (without weighting or collateralizing derivatives or assets deducted from equity for solvency purposes) plus off-balance sheet risks (weighted) with its level 1 capital at the reference date. The control of excessive leverage risk is carried out, in Unicaja Bank Group, by monitoring the leverage ratio at the highest level. Unicaja Bank Group has the leverage ratio incorporated into risk management. This ratio is part of the set of integrated indicators in its Risk Privilege Framework, setting targets and limits, whose evolution is followed by the Risk Committee and the Board of Directors. In this way, it is guaranteed that the ratio exceeds comfortably the minimum regulatory levels.
2	Description of the factors that have influenced the leverage ratio reported during the period to which it refers	As of 31 December 2017, the leverage ratio of Unicaja Banco Group stood at 6.23%, which is an increase of 10 b.p. over the previous year. The improvement recorded is mainly explained by the increase in level I capital, which went from 3,498 million euros to 3,574 million euros in 2017, which represents an increase of 76.2 million euros. This increase is mainly due to the capital increases carried out in the year and the calculation of the result of the same year, which has compensated the subsequent acquisition from the FROB of the CoCos of EspañaDuero, the application of the "phase in" and the purchase of the shares of EspañaDuero held by the FROB.

Table 35. LRCom Table. Common disclosure table of the leverage ratio

	Thousands of €	Exposures corresponding to the CRR leverage ratio
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFT and fiduciary assets, but including collateral)	54,021,670
2	(Assets amounts deducted in determining Tier 1 capital)	-255,919
3	Total on-balance sheet exposures (excluding derivatives, SFT and fiduciary assets) (sum of lines 1 and 2) 16.2.2016 L 39/9 Official Journey of the European Union ES	53,765,751
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	32,410
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	130,674
UE-5ª	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	Total derivatives exposures (sum of lines 4 to 10)	163,084
	SFT exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	2,234,037
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	21,657
UE-14ª	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
UE-15ª	(Exempted CCP component of client-cleared SFT exposure)	0
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	2,255,694
	Off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	3,759,023
18	(Adjustments for conversion to credit equivalent amounts)	-2,577,331
19	Other off-balance sheet exposures (sum of lines 17 and 18)	1,181,692
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
UE-19ª	(Intragroup exposures (individual basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on	0
UE-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
	Capital and total exposure measure	
20	Tier 1 capital	3,573,915
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	57,366,221
	Leverage ratio	
22	Leverage ratio	6.23%
	Choice of transitional provisions and amount of fiduciary items written off	
UE-23	Choice of transitional provisions for the definition of the capital measurement	Transitory
UE-24	Amount of fiduciaries withdrawn under Article 429 (11) of Regulation (EU) No 575/2013	0

Hereinafter the balance sheet exposures for the calculation of the leverage ratio, excluding the operations of securities and derivatives financing.

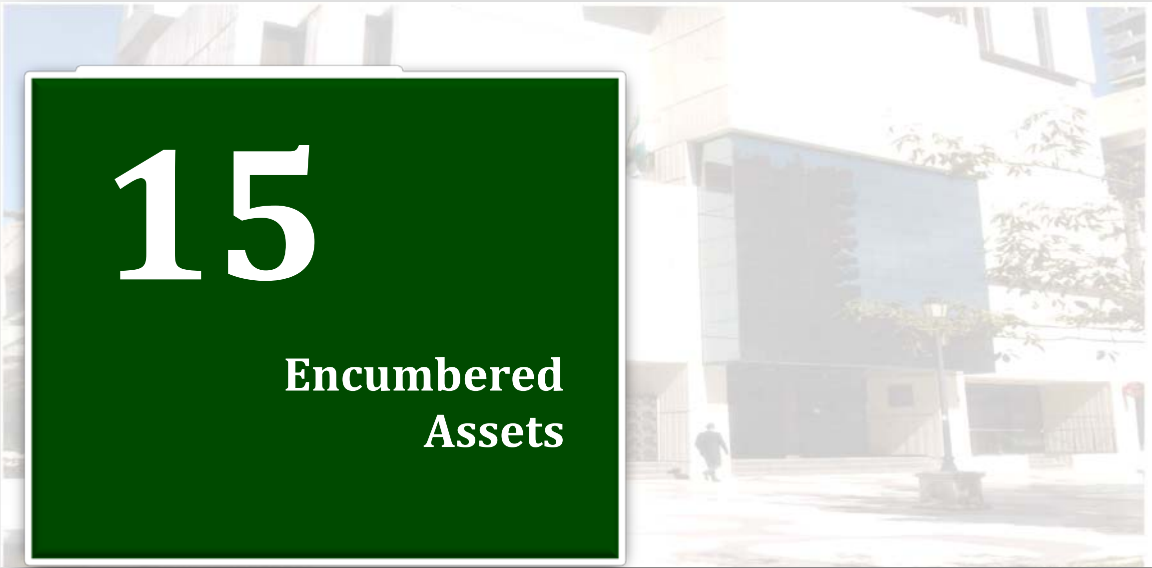
Table 36. Table LRSpl. Disaggregation of on-balance exposures (excluding derivatives, SFT and excluded exposures)

Thousands of €		Exposures corresponding to the CRR leverage ratio
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	54,021,670
EU-2	Trading book exposures	13,708
EU-3	Banking book exposures, of which:	54,007,962
EU-4	Covered bonds	230,694
EU-5	Exposures treated as sovereigns	17,089,151
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	907,858
EU-7	Institutions	652,913
EU-8	Secured by mortgages of immovable properties	16,046,715
EU-9	Retail exposures	4,468,876
EU-10	Corporates	6,015,775
EU-11	Exposures in default	1,578,047
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	7,017,933

Hereinafter the conciliation of the total exposure measure corresponding to the Leverage Ratio with the information of financial statements as of December 31, 2017.

Table 37. Table LRSum. Summary of the conciliation of accounting assets and exposures corresponding to the leverage ratio

Thousands of €	Fair value of encumbered assets
Total consolidated assets as per published financial statements	56,331,908
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	27,683
(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	0
Adjustments for derivative financial instruments	-312,227
Adjustment for securities financing transactions (SFTs)	0
Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1,181,692
(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	0
(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	0
Other adjustments	137,165
Leverage ratio total exposure measure	57,366,221



15

Encumbered Assets

15. ENCUMBERED ASSETS

According to Commission Implementing Regulation (EU) No. 2015/79 of December 18, 2014, an asset shall be considered as encumbered if it has been pledged or if it is subject to any type of agreement, to which it cannot be freely withdrawn, by virtue of which it is intended to serve as a guarantee, personal or real, in any operation, or to improve the credit quality of it.

An asset is encumbered to guarantee or collateralize obligations contracted with creditors.

The Unicaja Bank Group values all types of encumbered asset, including contingent ones, as they are of capital importance, since they represent a significant risk for the Group's liquidity and solvency profile, especially with respect to those with a significant level of encumbrance.

As of December 31, 2017, the total encumbered assets under the calculation criteria of the EBA ratio, represent 24.06% of the sum of assets and collateral received at the end of the year, which demonstrates the moderate use of assets by the group as collateral in the financing of the balance.

In accordance with the EBA Guidelines regarding the disclosure of information on encumbered and unencumbered assets, the following table is presented:

Table 38. Encumbered and unencumbered assets (in thousands of €)

Assets	Total	Book value of encumbered assets	Fair value of encumbered assets	Book value of unencumbered assets	Fair value of unencumbered assets
Assets of the declarant entity	3,464,834	-		3,464,834	
Loans and credits	541,219	-		541,219	356,385
Equity instruments	16,397,989	6,423,571	6,578,471	9,974,418	10,821,062
Debt securities	29,859,767	6,747,409		23,112,358	
Other assets	6,095,783	194,893		5,900,890	
Total	**56,359,592**	**13,365,873**	**6,578,471**	**42,993,719**	**11,177,447**

Encumbered assets act as collateral for certain obligations. Encumbrance amounts to 12,982,101 thousand euros and includes the mortgage bonds, arranged in ECB policy and financing through temporary assignment of assets. Throughout the year 2017 there has been a transfer of short-term financing in money markets for medium-term financing collateralized with a European Central Bank Securities Policy. Regarding the structure of encumbered assets among the Group's entities, Unicaja Banco holds 71% of the encumbered assets. With regard to the item "Other assets" of unencumbered assets, the following items are included that the Group does not consider capable of being committed in the normal course of its activity: cash, investments in subsidiaries, joint ventures and associates, real estate investments, property, plant and equipment, other intangible assets -including goodwill-, deferred tax assets and other assets. These balance sheet items represent 13.7% of the total assets.

Table 39. Real guarantees received by asset type (Thousands of €)

Assets	Fair value of guarantees received from securities or own titles representative of debts issued (encumbered)	Fair value of guarantees received from securities or own titles representative of debts issued (available for encumbrance)
Equity instruments	-	-
Debt securities	728,488	1,486,205
Loans and credits	-	-
Other real guarantees received	-	-
Own debt securities issued, other than covered bonds or securitisation bonds of own assets	-	-
Total	**728,488**	**1,486,205**

Table 40. Associated liabilities to assets and real guarantees received under encumbrance

Thousands of euros	Associated liabilities, contingent liabilities or securities pledged	Assets, guarantees received and own debt securities issued, other than covered bonds and securitisation bonds of unencumbered assets
Accounting value of selected financial liabilities	12,982,101	14,094,361

16

Remunerations

16. REMUNERATIONS

16.1 Background information

The General Ordinary Meeting of Shareholders held on April 30, 2015 approved the "Director Remuneration Policy for Unicaja Banco, SA" for the 2015-2017 period, in accordance with the provisions of banking, supervision and solvency regulations. and in the Consolidated Text of the Capital Companies Law. On the other hand, the Board of Directors of Unicaja Banco approved in December 2016 the "Remuneration Policy Associated with Risk Management".

The remuneration policy of Unicaja Banco, S.A. aims to generate and increase sustainable long-term value, harmonizing the interests of the various stakeholders involved, through prudent and responsible risk management.

In this sense, the general remuneration policy of Unicaja Banco Group is aimed at establishing a global remuneration, including salaries and discretionary pension benefits, aligning its principles with the requirements for credit institutions in remuneration matters. This policy is compatible with adequate and effective risk management, promotes this type of management and does not offer incentives to assume risks that exceed the level tolerated by the Entity. It is also compatible with the business strategy, objectives, values and long-term interests of the Group and includes measures to avoid conflicts of interest. To this end, transparency is crucial for the achievement of all these objectives.

The remuneration system will be governed, accordingly, by the following principles, as foreseen in the "Remuneration Policy Associated with Risk Management":

- Promote and be compatible with adequate and effective risk management, not offering incentives to assume risks that exceed the level tolerated by the Entity, taking as a reference the Risk Appetite Framework approved by the Board of Directors.

- Be compatible with the company's business strategy, objectives, values and long-term interests, avoiding conflicts of interest. As for the business strategy, the "Business Plan" approved by the Board of Directors will be assessed, when appropriate.

- Staff performing control functions within the Entity will be independent of the business units that they supervise, will have the necessary authority to perform their duties and will be remunerated, depending on the achievement of the objectives related to their functions, regardless of the results of the business areas that it controls.

- The remuneration of senior managers responsible for risk management and compliance functions will be directly supervised by the Remuneration Committee.

- The criteria for the establishment of the different components of the global remuneration will be clearly distinguished, according to the following parameters:

  - Fixed remuneration reflects, mainly, the relevant professional experience and the responsibility in the Entity as stipulated in the job description.
  - On the other hand, variable remuneration, when it is expected to be accrued and collected, must reflect a sustainable performance adapted to the risk, as well as a performance higher than that required to comply with the provisions of the job description.

Hereinafter the information that meets the requirements of the regulations and the recommendations on transparency regarding the remuneration policy.

Considering that the scope of application of this Report includes Unicaja Banco Consolidated Group, the information regarding the Group itself and its parent company, Unicaja Banco, SA, is explained below, including issues related to EspañaDuero.

16.2 Regulatory framework on remunerations

Since the beginning of the international financial crisis, numerous regulatory initiatives have been adopted with regard to remuneration, some as recommendation and others mandatory, at national, European and international levels. The following table shows, non-exhaustive outstanding initiatives, including those published or adopted as their own by the Bank of Spain in 2017:

Table 41. Regulatory framework on Remunerations

Regulatory Initiatives	Source	Date
Principles for Sound Compensation Practices	FSB	April 2009
High-level principles for Remunerataion Policies	CEBS	April 2009
Recommendation on Directors' pay	UE	April 2009
Incorporation of remuneration issues in Directives 2009/111/CE y 2010/76/UE	EU - (CRD III)	May 2009
Principles for Remuneration Policies	EU	June 2010
Green Book on Corporate Governance	EU	June 2010
Law 2/2011, on Sustainable Economy	Courts	March 2011
Law 6/2011, amending diverse financial regulations	Courts	April 2011
Royal Decree 771/2011, amending Royal Decree 216/2008 on own resources of financial entities	Government	June 2011
Circular 4/2011, of Bank of Spain, amending Circular 3/2008 on own resources	Bank of Spain	November 2011
Royal Decree 2/2012, on the cleaning-up of the banking system	Government	February 2012
Order ECC/1762/2012, for entities benefiting from public aids	Ministry of Economy	August 2012
Regulation 575/2013	EU	June 2013
Directive 2013/36/UE	EU	June 2013

Circular 4/2013, which establishes the annual remuneration report models for directors of listed companies and members of the board of directors	CNMV	June 2013
Royal Decree 14/2013, on urgent measures for the adaptation of Spanish law to EU regulations on supervision and solvency of financial entities	Government	November 2013
Law 10/2014, on regulation, supervision and solvency of credit institutions	Courts	June 2014
Law 31/2014 amending the Spanish Corporation Law for the improving of the Corporate Governance	Courts	December 2014
Royal Decree 84/2015 which develops Law 10/2014	Government	February 2015
Circular 7/2015, of the CNMV, of December 22, that modifies Circulars 4/2013 and 5/2013	CNMV	December 2015
Circular 2/2016, of the Bank of Spain, to credit institutions, on supervision and solvency, that completes the adaptation of the Spanish legal system to Directive 2013/36 / EU and to Regulation 575/2013 of the EU	Bank of Spain	February 2016
Guidelines on sound remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosures under Article 450 of Regulation (EU) No 575/2013	EBA	June 2016
Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services	EBA	December 2016

Hereinafter, basic regulations with regard to Spain in the elaboration of this report:

- Regulation nº 575/2013 of the European Parliament and of the Council of June 26, 2013 on the prudential requirements of credit institutions and investment companies, amending Regulation (EU) No 648/2012 .
- Transposition of the CRD IV through Law 10/2014, on regulation, supervision and solvency of credit institutions
- *Real Decreto 84/2015*, of February 13, which develops Law 10/2014, on regulation, supervision and solvency of credit institutions*,* of June 26.
- Circular 2/2016, of February 2, of the Bank of Spain, on supervision and solvency of credit institutions, which completes the adaptation of the Spanish legal system to Directive 2013/36 / EU and Regulation (EU) No. 575/2013.

In this sense, art. 85 of Law 10/2014, art. 93 of Royal Decree 84/2015 and Rule 59 of Circular 2/2016, all of them related to Part Eighth of Regulation (EU) No. 575/2013, provide that the Credit Institutions shall disclose, as soon as practicable, at least annually and duly integrated in a single document called *Pillar 3 Information Disclosure*, specific information on its financial situation and activity in which the market and other stakholders may have interest in order to assess the risks faced by these groups and entities, their market strategy, their risk control, their internal organization and their situation in order to comply with the minimum requirements of own resources provided for in the solvency regulations. Information on the remuneration policy and practices, including salaries and discretionary pension benefits, will be reported with regard to Senior Management, employees who assume risks and those who exercise control functions, as well as employees that receive a global remuneration that includes it in the same remuneration scale as that of management, senior executives and employees who assume risks and whose professional activities have an important impact on the risk profile of the entity ("Identified Group").

This report complies with the information requirements on the remuneration, especially those established in art. 450 of Regulation (EU) No. 575/2013.

When the Spanish regulations described above are not specific enough, the guidelines developed by the European Banking Authority ("EBA") have been taken as reference for the establishment of the remuneration systems and policies of Unicaja Banco Group.

16.3 Verification and control of the Remuneration Policy

The remuneration policy of Unicaja Banco complies with the requirements for Credit Institutions. With respect to the parent company Unicaja Banco, the aforementioned reference documents are the "Directors Remuneration Policy for Unicaja Banco, SA" for the period 2015-2017 and the "Risk Management Remuneration Policy ".

Likewise, the Entity approved the General Incentive Scheme of Unicaja Banco, applicable to all the members of the Identified Group.

The latter applies to the so-called "identified Group", which is composed of senior managers, employees who assume risks, those who exercise control functions, and all employees who receive a global remuneration that includes it. In the same remuneration scale as that of senior executives and employees who assume risks, whose professional activities have an important impact on Unicaja's risk profile, at the group, parent company and subsidiary levels.

The Remuneration Committee must ensure that both the Remuneration Policy and its application is evaluated at least once a year, in order to verify whether the remuneration guidelines and procedures adopted by the supervisory body are complied with.

In this sense, it has been verified that the Entity's remuneration practices do not encourage the assumption of risks above the tolerated level, and are aligned with the guidelines that govern its activity. In short, as stated in the Policy, its practical application is adapted, in compliance with the principle of proportionality that inspires the regulations in this matter, to the low risk profile held by Unicaja Banco, as well as the small amount of its potential and effective variable compensation throughout the fiscal year 2017.

On the other hand, the Entity's remuneration schemes are aligned with the "Risk Appetite Framework" of the Unicaja Banco Group, which is approved by the Board of Directors.

16.4 General Policies and Decision-Making Processes

As indicated in previous sections of this chapter, the general remuneration policy of Unicaja Banco Group is consistent with adequate and effective risk management, promotes this type of management and does not offer incentives to assume risks that exceed the level of risk tolerated by the Group. In addition, the policy is consistent with the business strategy, objectives, values and long-term interests of Unicaja Banco Group and includes measures to avoid conflicts of interest.

Hereinafter the organizational structure of Unicaja Banco related to the " Risk Management Remuneration Policy", as well as the decision-making process, regardless of the competences attributed to the General Shareholders' Meeting, both legal and statutorily.

Board of directors

The Board of Directors of Unicaja Banco is the management body responsible for establishing the general principles of the Policy, periodically reviewing them. It is also responsible for supervising and guaranteeing the correct application of these principles in Unicaja Banco. Consequently, the Board of Directors approves the

Policy and its subsequent amendments, with the support of the Remuneration and Risk Committees, when appropriate.

The Regulation of the Board of Directors establish that members shall have this status not exceeding their term as Directors and without prejudice to being re-elected to the extent that they are also Directors. According to the Corporate Estatues, the directors will be appointed by the General Board to hold office for a period of four years and may be re-elected once or several times for periods of equal duration.

Remuneration Committee

The Board of Directors has set up a Remuneration Committee, which is entrusted with the function of proposing and reporting on remuneration matters; in particular, with respect to a substantial part of the "identified group" that, in any case, will include the members of the Board of Directors, the general managers and those responsible for control functions. In making their decisions, the Remuneration Committee shall take into account the long-term interests of the shareholders, investors and other stakeholders of the Entity, as well as the public interest. The Remuneration Committee will be composed of a minimum of three Directors and a maximum of five, who do not perform executive functions in the Entity. The majority of them and, in any case, the Chairman, must be independent directors. The members of the Remuneration Committee will be appointed by the Board of Directors taking into account the knowledge, experience and skills necessary for the functions to be performed. At least one of the members of the Commission must have knowledge and experience in the matter of remuneration policies.

Without adversely affecting other functions attributed to it by law (essentially, article 529 of *Real Decreto Legislativo 1/2010* approving the *Ley de Sociedades de Capital*, and article 39 of *Real Decreto 84/2015*), the Bylaws, or the Board Regulations, the Remuneration Committee has the following functions:

- Ensure the enforcement of the remuneration policy established by Unicaja Banco.
- Prepare decisions regarding remuneration, including those that have implications for the risk and risk management of the Entity, which the Board of Directors must adopt.
- Propose to the Board of Directors the remuneration policy for the Directors and Senior Managers, as well as the individual remuneration and the other contractual conditions of the executive Managers and the Senior Managers, ensuring their enforcement.
- Prepare a specific report, together with the proposal of the Remuneration Policy of the Board of Directors.

Throughout the year 2017, the Remuneration Committee of Unicaja Banco has held a total of 9 meetings.

As of December 31, 2017, the members of the Remuneration Committee were the following:

- Mr. Guillermo Jiménez Sánchez (Chairman)
- Mr. Juan Fraile Cantón (Secretary)
- Mrs. Petra Mateos-Aparicio Morales (Member)
- Mr. José María de la Torre Colmenero (Member)
- Mr. Victorio Valle Sanchez (Member)

Risk Committee

Regarding the Risk Committee and with exclusive reference to this report, its functions include collaborating in the establishment of rational remuneration policies and practices.

To this end, the Risks Committee will examine, without adversely affecting the functions of the Remuneration Committee, if the anticipated incentive policy takes into account the risk, capital, liquidity, probability and timing of the benefits.

Throughout the year 2017, the Risk Committee of Unicaja Banco has held a total of 12 meetings.

As of December 31, 2017, the members of the Risk Committee were the following:

- Mrs. Petra Mateos-Aparicio Morales (Chairman)
- Mr. José María de la Torre Colmenero (Secretary)
- Mr. Guillermo Jiménez Sánchez (Member)
- Mr. Antonio López López (Member)
- Mrs. Isabel Martín Castellá (Member)

Other bodies and units

In the organizational structure of Unicaja Banco, the different functions related to the remuneration policy fall to the following Directorates, notwithstanding that other Directorates, Departments or corporate functions intervene in the process of elaboration, application or revision of the policy: Directorate of the Secretariat of Management and Governing Bodies, Directorate of Strategy and Appointments, Remuneration and Training – HR Administration Policy, Internal Audit Department, Corporate Directorate of Global Risk Control, and Regulatory Compliance Department.

The general mission established for each of these Directorates is:

- Directorate of the Secretariat of Governing and Management Bodies: Organize, convene and assist in all the activities of the Governing and Management Bodies, communicating the adopted agreements and following up on them.
- Directorate of Strategy and Appointments, Remuneration and Training – HR Administration Policy: propose and execute the Human Resources policy, developing systems and procedures adapted to the needs of Unicaja Banco, in addition to the participation and assessment in the preparation and evaluation of the Remuneration Policy of the Entity, including the remuneration structure, levels of remuneration and incentive programs, so that not only the staff needed by the Entity is attracted and retained, but also the adequacy of the Policy to the risk profile of the Entity.
- Internal Audit Management: Carry out an independent and objective review of the quality and effectiveness of the Entity's internal control system and the risk management framework, in addition to performing, at least once a year, an internal, central and independent, evaluation of Unicaja's Remuneration Policy in order to verify if the remuneration guidelines and procedures adopted by the Board of Directors are being enforced.
- Corporate Directorate of Global Risk Control: Assume responsibility for the control of all the risks incurred by the Entity, taking as a reference the RAF.
- Regulatory Compliance Directorate: Ensure compliance with applicable external and internal regulations, as well as analyze how the Remuneration Policy affects the Entity's compliance with the legislation, internal policies and risk culture, and communicate all compliance risks and non-compliance problems detected, for their analysis by the Board of Directors in its supervisory role.

16.5 Description of the Identified Group

With regard to the "Risk Management Remuneration Policy", as previously mentioned, managers, senior executives, employees who assume risks, those who exercise control functions, and receive a global remuneration that includes it in the same remuneration scale as that of senior managers and employees who assume risks, whose activities have an important impact on Unicaja's risk profile, at the group, parent company and subsidiary levels.

The Remuneration Committee reviews and, where appropriate, updates the perimeter of the mentioned group in order to identify the people of the organization who meet the parameters indicated above. Directorate of Strategy and Appointments, Remuneration and Training – HR Administration Policy has in its central offices a comprehensive list of the categories and groups of employees of the "identified group" and subject to the Policy, which is permanently updated, and at the disposal of the Bank of Spain and the European

Central Bank, of internal and external auditors, and of the management bodies of Unicaja Banco.

With regard to the parent company, Unicaja Banco, as of December 31, 2017, the aforementioned group was made up of 62 members, representing 1.59 % of the Entity's workforce. Specifically, this group was composed of:

- 4 Executive Counselors, one of them, the CEO of EspañaDuero.
- 9 Non-Executive Counselors.
- 12 Senior Management members.
- The Directors of the Treasury and Capital Markets Departments, Strategy and Appointments, Remuneration and Training – HR Administration Policy, Real Estate, Corporate Banking, Specialized Banking, Investor Relations, Business Banking, Marketing, Non-Core Business, Balance Management, Financial Analysis, Investment Control and Monitoring, Asset Management, Legal Advice , Financial and Fiscal Information, Technical Office, Efficiency and Studies, Planning and Strategy, Operations, Transformation, Market Analysis and Strategy, Organization, Syndicated Operations, and Development of credit risk models.
- The Territorial Directors of *Málaga, Castilla La Mancha-Madrid, Andalucía Oriental* and *Andalucía Occidental*.
- The Deputy Director of Regulatory Compliance.
- The Directors of the Capital Areas, Key Processes and 'Stress Test' and Validation of Models.
- Those responsible for: the Wholesale Financing unit, the Back Office Treasury and the Trading Desk.
- The CEOs of GIA and Alteria.

In the case of the subsidiary EspañaDuero, as of December 31, 2017, the "identified group" consisted of a total of 37 members (representing 1.45% of the Entity's workforce), holding the following responsibilities:

- 2 Executive Counselors, one of them, the CEO.
- 9 Non-Executive Counselors.
- 8 Senior Management Members.
- The Directors of the Financial Analysis and Syndicated Areas, Asset Management, Control and Monitoring of Investments, Secretariat of Governing Bodies, Corporate Banking, Private Banking, Real Estate, Technical Office and Efficiency, Human Resources, Marketing and Organization and Service Management.
- The Directors of the Treasury and Capital Markets Departments, the Technical Secretariat for Asset Management, and Financial, Fiscal and Planning Information.
- The Territorial Directors of *León, Madrid, Valladolid* and *Salamanca*.

16.6 Description of the remuneration model

The remuneration system applicable to the entities that make up Unicaja Banco Group, associated with risk management, is applied to the "identified group".

In the case of the Unicaja Banco parent company, this system is in line with the provisions of the " Risk Management Remuneration Policy", taking into account that its practical application is adapted to the proportionality principle that inspires the regulations in this matter, the low risk profile held by Unicaja Banco, as well as the reduced amount of its variable compensation.

The most relevant aspects of the remuneration structure of the Group are identified below.

Global remuneration

The remuneration policy and practices govern the overall remuneration applicable in Unicaja Banco, including salaries and discretionary pension benefits that can be assimilated to variable remuneration.

As general principles of the global remuneration policy, as indicated in previous sections of this chapter, it is established that the remuneration will be compatible with an adequate and effective risk management, without incentives to assume risks that exceed the Entity's risk tolerance, taking the RAF approved by the Board of Directors as a reference, as well as the business strategy and the long-term objectives, values and interests of Unicaja Banco Group, avoiding conflicts of interest.

As a reinforcement of the application of the remuneration policy, the "identified group" is required to commit not to use personal coverage or insurance strategies, related to remuneration and responsibilities that undermine the effects of alignment with risk included in their remuneration systems.

In this regard, it has been verified that the remuneration practices in the Unicaja Banco parent company do not encourage the assumption of risks above the tolerated level and align with the guidelines and broad lines of action that govern their activity.

Additionally, and concerning EspañaDuero, the remunerations paid to the members of the "identified group" (specifically, to Directors and members of the Senior Management) have contemplated both the provisions and limitations set forth in art. 5 of the *Real Decreto Ley 2/2012*, developed by the *Orden ECC / 1762/2012*, as well as the *Real Decreto Ley* 24/2012 (currently invalid), and those included in point 35 of the restructuring amendment of EspañaDuero through integration with Unicaja Banco (Term Sheet II). Once the public aid granted to EspañaDuero was returned, through the purchase, in August 2017, of the contingently convertible bonds (CoCos) from the FROB, with which the aids were instrumented, the limitations indicated above were deactivated, except Term Sheet II.

Variable remuneration

When the remuneration includes variable components, a balanced and efficient balance between these and the fixed components must be maintained, so that the fixed component constitutes a sufficiently high part of the total remuneration.

In this sense, the variable components meet the following requirements, applying in any case the proportionality principle:

- The total variable remuneration will not limit the capacity of the Entity to strengthen its capital base.
- Variable remuneration will be reduced at the time of the evaluation of the performance, in case of appreciating a negative behavior of the Entity's results or its capital ratios, either in relation to those of previous years or with those of similar entities, or a negative behavior of other parameters, such as the degree of achievement of the budgeted objectives. In any case, the reduction in variable remuneration will occur whenever a requirement or recommendation of the competent authority to restrict the dividend distribution policy is in force.
- Up to 100% of the total variable remuneration will be subject to malus (reduction) and clawback (recovery) provisions.
- Guaranteed variable remuneration will not be compatible with a sound risk management or with the principle of rewarding performance, so it will not be part of possible remuneration plans and will be exceptional. It can only be applied when new personnel is hired and the Entity has a sound and solid capital base, and it will be limited to the first year of employment.
- Between 40% and 60% of the variable compensation to be paid by the Entity to the members of the "identifies group" will be deferred during a certain period, taking into account the economic cycle, the nature of the business, its risks and the activities of the interested party, which, in no case, will be less than three years or more than five years.
- At least 50% of the variable compensation of all members of the "identified group", whether deferred or not, will be paid through instruments linked to the evolution of Unicaja's shares and, when possible, other types of instruments determined by the supervisor, that adequately reflect the credit rating of the Entity. These payments will have a withholding for the corresponding term, and will be subject to the evolution of the Entity's own funds.

In these cases, in which the remuneration is linked to results, the right to receive it and its total amount will be based on objective indicators.

Although the Articles of Association provide that part of the remuneration of the executive Directors may be variable, which is correlated with some indicator of the performance of the Director or of the entity, currently, only the CEO's Incentive System has been approved.

The CEO's Incentive System, developed within the framework of the current legislation and the Remuneration Policy of the Entity, provides a bonus of up to 25% of the annual fixed remuneration, based on both quantitative and qualitative objectives and subject to the principles of deferral, payment in instruments, retention and subjection to reduction and/or recovery clauses (malus/clawback).

With regard to the rest of the "identified group", for 2017 the incentive system for key personnel and the incentive system for the rest of the identified group were approved. The two systems have been developed within the framework of the current legislation and the Entity's Remuneration Policy. In both cases, a bonus is foreseen in terms of quantitative and qualitative objectives. Both systems are subject to the principles of deferral, payment in instruments, retention and reduction and/or recovery clauses. In the case of the incentive system for key personnel, a bonus of up to 25% of the director's annual fixed remuneration is foreseen, while in the incentive system for the rest of the identified group the maximum amount of the bonus is established based on the executive position.

The criteria for results on which the right to variable remuneration is based are fundamentally objective and its measurement is carried out at Entity, Unit and Individual level.

In addition, for the latter collective, by virtue of the interpretation of the proportionality principle, the neutralization of the principles of deferral, withholding and payment in instruments is allowed.

The main parameters used to calculate the accrual of variable remuneration are based on the variables included in both the Business Plan and the Entity's RAF, as well as other qualitative variables.

Discretionary pension benefits

Discretionary pension benefits are, in general, discretionary payments granted by a credit institution on an individual basis to its staff under a pension plan or a different instrument that provides retirement benefits and that can be assimilated to variable remuneration. In no case shall they include benefits granted to an employee in accordance with the Entity's pension system, affecting all the workforce.

Aligned with the " Risk Management Remuneration Policy", the discretionary pension commitments will be established under criteria that, in any case, are aligned with the interests of the Entity, so that their periods of accrual and effectiveness do not give rise to remunerations for this concept that are not in accordance with the economic situation of the Entity at the time of going into effect.

For executive directors, general managers and personnel assimilated to the latter, a significant portion of the contributions to pension commitments or savings insurances covering similar contingencies, which is not less than 15%, will be based on variable components and will have discretionary benefits treatment.

Risk adjustment requirements applicable to variable remuneration

In the three incentive systems approved in 2017 for application to the Identified Group (Incentive System of the CEO, Incentive System for Key Personnel and Incentive System for the Rest of the Identified Group) the following requirements are foreseen:

- Between 40% and 60% of the variable remuneration will be deferred for a period, taking into account the business cycle, the nature of the business, its risks and the activities of the interested party under consideration and that, under no circumstances, may it be less than three years or more than five years.
- At least 50%, whether deferred or not, will be paid, when possible, through other types of instruments determined by the supervisor that adequately reflect the credit rating of the Entity.

Other payments

Payments made by early termination of contracts of the "identified group" will be reasonable and proportionate, and will attend to the effective time of the provision made and the agreed future benefit that will not be made, without, in any case, implying a loss of the solvency of the Entity. In general, the indemnities provided for in the Statute Workers' Rights or in the special regulations that may be applicable, as well as those agreed upon, as the case may be, in the contracts signed. In the year 2017, the termination of a member of the "identified group" due to retirement occurred, without any compensation being generated.

Likewise, in the specific case of EspañaDuero, it should be noted that the contributions to pension plans implemented in a generalized manner for the Entity's workforce were suspended as of July 2013, and this suspension also affected the members of the "identified group" " In 2017 it was paid, as determined in their contracts, life insurance was paid to 6 managers, all of them aimed at covering retirement, disability and death contingencies. In addition, in 2017 compensation was paid to 4 members of the "identified group" within the framework of the 41/2016employment regulation file.

Remuneration of the Directors in their capacity as such and for the performance of executive functions

Additionally, the Remuneration Policy of the Directors of Unicaja Banco distinguishes between the remuneration system of the Directors in their capacity as such and that of the Executive Directors for the performance of the specific functions attributed to them.

General remuneration of Directors in their capacity as such

The remuneration of the Directors in their capacity as such shall consist of a fixed allowance and attendance fees for meetings of the Board of Directors and its Committees.

General remuneration of executive Directors

Executive Directors shall also have the right to receive remuneration composed of:

- A fixed part, right for the services and responsibilities assumed.
- A variable part, correlated with some indicator of the performance of the Director or the Entity. This component has not yet been subject to development, except in the case of the CEO of Unicaja Banco, for which the Incentives system previously described was approved in 2017, as well as a defined contribution assistance part of a savings insurance contract.
- An indemnity in case of separation or any other form of termination of the legal relationship with the Entity, for reasons other than non-compliance attributable to the Director.

16.7 Quantitative Information on Remunerations

In compliance with the regulatory framework of remuneration transparency, information is disclosed on the remuneration accrued during the year ended December 31, 2017, in thousands of euros, by the members of the "identified group" of Unicaja Banco Group (including EspañaDuero):

	Board of Directors. Non-executive Counselors	Board of Directors. Executive Counselors	Investment Banking	Commercial Banking	Assets Management	Corporate Functions	Independent Control Functions	Rest
1. Identified group (employed or not)	19	5						
2. Number of employees identified as full-time equivalents			2	22	9	27	15	-
Of which: Senior officers			-	4	-	9	7	-
Of which: in control functions				-	-	-	15	-
3. Amount of total fixed remuneration	1,125	2,535	240	2,992	1,118	4,001	1,792	-
Of which: in cash	1,125	2,535	240	2,992	1,118	4,001	1,792	-
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in other instruments	-	-	-	-	-	-	-	-
4. Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in cash	-	-	-	-	-	-	-	-
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in other instruments	-	-	-	-	-	-	-	-
5. Amount of deferred variable remuneration	-	-	-	-	-	-	-	-
Of which: in cash	-	-	-	-	-	-	-	-
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in other instruments	-	-	-	-	-	-	-	-
Additional information on the total amount of variable remuneration								
6. Total amount of deferred variable remuneration accrued in previous years, as in art. 450.1 (h) (iii) of Regulation (UE) n.º 575/2013	-	-	-	-	-	-	-	-
7. Amount of the explicit adjustment ex-post by performance applied during the year for remunerations accrued in past years	-	-	-	-	-	-	-	-
8. Number of recipients of guaranteed variable remuneration	-	-	-	-	-	-	-	-
9. Total amount of guaranteed variable remuneration during the year	-	-	-	-	-	-	-	-
10. Number of recipients of severance indemnities for early termination of contract	-	-	-	1	1	2	-	-
11. Total amount of severance indemnities payed during the year	-	-	-	137	121	361	-	-
12. Total amount of indemnification by early	-	-	-	137	121	200	-	-

	Board of Directors. Non-executive Counselors	Board of Directors. Executive Counselors	Investment Banking	Commercial Banking	Assets Management	Corporate Functions	Independent Control Functions	Rest
termination of contract paid to one person, as in art. 450.1 (h) (v) Regulation (UE) n.º 575/2013								
13. Number of recipients of discretionary pension benefits	-	1	-	-	-	-	-	-
14. Total amount of discretionary pension benefits	-	-	-	-	-	-	-	-
Other additional information								
15. Total amount of variable remuneration accrued in multi-year periods in programs that are not updated annually	-	-	-	-	-	-	-	-
16. Number of beneficiaries of discretionary pension benefits that have left the entity (whether by retirement or termination)	-	-	-	-	-	-	-	-
17. Total amount of discretionary pension benefits paid or withheld in the year to persons who have left the institution (whether by retirement or termination)	-	-	-	-	-	-	-	-

Finally, it should be noted that no one in Unicaja Banco Group has earned more than one million euros in 2017.

17. ANNEX I: Main characteristics of the capital instruments of Unicaja Banco Group as of 31/12/2017

Issuer	Unicaja Banco, S.A.	Unicaja Banco, S.A.
Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	ES0180907000	ES0280907009
Governing law(s) of the instrument	Spanish Legislation	Spanish Legislation
Regulatory treatment		
Transitional CRR tools	CET 1	CET 1
Eligible at solo/(sub-)consolidated/solo and (sub-)consolidated	Individual and (sub)consolidated	Individual and (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Shares	Perpetual Contingent Convertible bonds in newly issued assets (PeCoCos)
Amount recognized in regulatory capital (currency in million, as of most recent reporting date)	1,610	49
Nominal amount of instrument	1,610	49
Issue price	N/A	100%
Redemption price	N/A	100%
Accounting classification	Net Equity	Net Equity
Original date of issuance	N/A	28/03/2014

Perpetual or dated	Perpetual	Perpetual
Original maturity date	Without maturity	Without maturity
Issuer call subject to prior supervisory approval	No	No
Optional call date, contingent call dates and redemption amount	N/A	N/A
Subsequent call dates, if applicable	N/A	N/A
Coupons/dividends		
Fixed or floating dividend /coupon	Floating	Fixed
Coupon rate and any related index	N/A	13.8824% annual
Fully discretionary, party discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary
Fully discretionary, party discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary
Existence of step up or other incentive to redeem	No	No
Cumulative or non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Convertible

If convertible, conversion trigger(s)	N/A	1. Total mandatory advance conversion: (i) If Unicaja Banco adopts any measure aimed at its dissolution and liquidation, voluntary or involuntary, or if it is declared bankrupt. (ii) If Unicaja Banco adopts any measure that has the consequence of approving a reduction of share capital in accordance with the provisions of articles 320 et seq. of the Capital Companies Law, or 343 by referral of article 418.3 of the *Ley de Sociedades de Capital*. 2. Contingency events: (i) If Unicaja Banco Group presents a ratio of ordinary capital (Core Tier 1) of less than 7%, calculated in accordance with the definition used in EBA/REC/2011 Recommendation and applied in the stress test of the European Banking Authority (EBA) or any other percentage of own resources lower than the minimum that the applicable Spanish or European regulations establish, provided that the aforementioned Recommendation is in force. (ii) When the entity subject to Circular 7/2012 of the Bank of Spain according to the first standard, presents a principal capital of less than 7%. (iii) If Unicaja Banco or Unicaja Banco Group, presents a CET 1 lower than the 5.125% calculated in accordance with Circular 3/2008 according to its successive amendments or

		any rule that complements or replaces them at any time and, particularly, CRD IV / CRR. (iv) If having a Tier 1 capital ratio lower than 6%, calculated according to Circular 3/2008 or any Spanish regulations of own resources applicable at any time, Unicaja Banco or Unicaja Banco Group, present significant accounting losses. It will be understood that there are "significant accounting losses" when the accumulated losses in the last four quarters have reduced the capital and the previous reserves of Unicaja Banco, or Unicaja Banco Group, by one third. 3. Feasibility events: (i) If the Bank of Spain determines that, without the conversion of the instrument, the entity would not be viable. (ii) If the decision to inject public capital or any other measure of financial support is adopted, without which the entity would not be viable. 4. Regulatory events: (i) If, with the entry into force and application of Basel III (CRD IV / CRR), on computable own resources, in 2014, the Unicaja Banco Bonds will no longer compute as Additional Tier 1 Ratio. (ii) If the Unicaja Banco Bonds cease to be computable as principal, in accordance with Circular 7/2012.

		(iii) If the Unicaja Banco Bonds cease to be computable as ordinary capital (Core Tier 1) calculated according to the definition used in EBA/REC/2011 Recommendation and applied in the EBA stress test.
If convertible, fully or partially	N/A	Fully or partially
If convertible, conversion rate	N/A	1.18827 euros per share
If convertible, mandatory or optional conversion	N/A	Mandatory
If convertible, specify instrument type convertible into	N/A	Newly issued ordinary shares (CET 1)
If convertible, specify issuer of the instrument it converts into	N/A	Unicaja Banco, S.A.
Write-down features	No	Yes
If write-down, write-down triggers	N/A	The conversion price of Unicaja Banco's bonds could be higher than real value of its ordinary shares at the time of its conversion.
If write-down, full or partial	N/A	Full or partially
If write-down, permanent or temporary	N/A	Permanent
If temporary write-down, description of write-up mechanism	N/A	N/A

Positions in subordination hierarchy in liquidation (specify instrument type immediately superior to instrum.)	N/A	Shares
Non-compliant transitional features	No	No
If yes, specify non-compliant features	N/A	N/A

18. ANEXX II: Guidelines on liquidity management disclosure (LCR-EBA/GL/2017/01)

UNICAJA BANCO (Consolidated Group)	Total Weighted Amount (Average)
LIQUIDITY BUFFER	12,435
TOTAL NET CASH OUTFLOW	2,147
LIQUIDITY COVERAGE RATIO	**579%**

19. ANEXX III: Information on transitory own funds

	Common Equity Tier 1 (CET 1) capital Instruments and reserves	**31/12/2017**
1.	Capital instruments and the related share Premium accounts	2,819,725
	of which: ordinary shares	
	of which: instruments type 2	
	of which: instruments type 3	
2.	Retained earnings	945,545
3.	Accumulated and other comprehensive (and other reserves, to include unrealized gains and losses under the applicable accounting standards)	11,353
3.a.	Funds for general banking risk	
4.	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase-out from CET1	
5.	Minority interests (amount allowed in consolidated CET1)	
5.a.	Independently reviewed interim profits net of any foreseeable charge or dividend	
6.	Common equity tier 1 (CET1) capital Regulatory adjustments	3,776,623
	Common Equity Tier 1 (CET 1) capital Regulatory adjustments	
7.	Additional value adjustments (negative amount)	
8.	Intangible assets (net of related tax liability) (negative amount)	22,566
9.	Empty set in the EU	
10.	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	209,720
11.	Fair value reserves related to gains or losses on cash flow hedges	-8,379
12.	Negative amounts resulting from the calculation of expected loss amounts	
13.	Any increase in equity that results from securitized assets (negative amount)	
14.	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	2,409
15.	Defined-benefit pension fund assets (negative amount)	
16.	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	
17.	Holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
18.	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	

19.	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10%	
20.	Empty set in the EU	
20.a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	450
20.b	of which: qualifying holdings outside the financial sector (negative amount)	
20.c	of which: securitisation positions (negative amount)	450
20.d	of which: free deliveries (negative amount)	
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	
22.	Amount exceeding the 15% threshold (negative amount)	18,077
23.	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector	9,963
24.	Empty set in the EU	
25.	of which: deferred tax assets arising from temporary differences	8,114
25.a	Losses for the current financial year (negative amount)	
25.b	Foreseeable tax charges relating to CET1 items (negative amount)	
26.	Regulatory adjustments applied to CET1 relative to amounts subject to treatment prior to CRR	
26.a	Regulatory adjustments relative to non-realized gains and losses by virtue of articles 467 and 468	
26.b	Amount to be deducted or added to CET1 referring to other filters and deductions required prior to CRR	
27.	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	
28.	Total regulatory adjustments to common Tier 1 (T2) capital	244,843
29.	**COMMON EQUITY TIER 1 (CET1) CAPITAL**	**3,531,781**

Additional Tier 1 Capital: Instruments		
30.	Capital instruments and the related share premium accounts	49,021
31.	of which: classified as equity under applicable accounting standards	49,021
32.	of which: classified as liabilities under applicable accounting standards	
33.	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase-out from AT1	
34.	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties	
35.	of which: instruments issued by subsidiaries subject to phase-out	
36.	Additional Tier 1 (AT1) capital before regulatory adjustments	49,021
Additional Tier 1 Capital: regulatory adjustments		
37.	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	
38.	Holdings of the AT 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
39.	Direct, indirect and synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
40.	Direct and indirect holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
41.	Regulatory adjustments applied to Additional Tier 1 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	6,887
41.a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to Article 472 of Regulation (EU) No 575/2013	6,887
41.b	Residual amounts deducted from AT1 with regard to T2 capital during the transitory period, by virtue of article 475 of Regulation (EU) No 575/2013	
41.c	Amount to be deducted or added to AT1 referring to other filters and deductions required prior to CRR	
42.	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	
43.	Total regulatory adjustments to Additional Tier 1 (AT1) capital	6,887
44.	Additional Tier 1 (AT1) Capital	42,134
45.	Tier 1 Capital (T1 = CET1 + AT1)	3,573,915

Tier 2 Capital: Instruments and Reserves		
46.	Capital instruments and the related share premium accounts	
47.	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase-out from T2	
48.	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	
49.	of which: instruments issued by subsidiaries subject to phase-out	
50.	Credit risk adjustments	77,738
51.	Tier 2 (T2) capital before regulatory adjustments	
Tier 2: Regulatory adjustments		
52.	Direct and indirect holdings by an institution of own T2 instruments (negative amount)	
53.	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	
54.	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	
54.a	Of which, new holdings not subject to transitory mechanisms	
54.b	Of which, existing holdings before 1 January 2013 and subject to transitory mechanisms	
55.	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	
56.	Regulatory adjustments applied to T2 capital with regard to the amounts subject to the treatment prior to the RRC and transitory treatments subject to gradual elimination, pursuant to the provided in Regulation (EU) No 575/2013 (this is, residual amounts established in the CRR)	1,245
56.a	Residual amounts deducted from T2 capital with regard to the CET1 deduction during the transitory period, by virtue of article 472 of Regulation (EU) No 575/2013	
56.b	Residual amounts deducted from T2 capital with regard to the AT1 deduction during the transitory period, as provided in article 475 of Regulation (EU) No 575/2013	1,245
56.c	Amount to be deducted or added to T2 referring to other filters and deductions required prior to CRR	
57.	Total regulatory adjustments to Tier 2 (T2) capital	1,245
58.	Tier 2 (T2) Capital	76,493
59.	Total Capital (TC = T1 + T2)	3,650,408
59.a	Risk-weighted assets with regard to the amounts subject to the prior treatment to RRC and transitory treatments subject to gradual elimination, pursuant to the provided in Regulation (EU) No 575/2013 (this is, residual amounts established in the RRC)	

60.	Total Risk-Weighted Assets	24,239,256

61.	Common Equity Tier 1 (as a percentage of total risk exposure amount)	14.57
62.	Tier 1 (as a percentage of total risk exposure amount)	14,74
63.	Total capital (as a percentage of total risk exposure amount)	15,06
64.	Institution-specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a), plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	
65.	of which: capital conservation buffer requirement	
66.	of which: countercyclical capital buffer requirement	
67.	of which: systemic risk buffer requirement	
67.a.	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	

Amounts below the thresholds for deduction (before risk weighting)		
72.	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	249,584
73.	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions)	282,755
74.	Empty set in the UE	
75.	Deferred tax assets arising from temporary differences (amount above 10%	274,257

Applicable caps on the inclusion of provisions in tier 2		
76.	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	77,738
77.	Cap on inclusion of credit risk adjustments in T2 under standardized approach	166,942
78.	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	
79.	Cap on inclusion of credit risk adjustments in T2 under internal ratings-based approach	

Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80.	Current cap on CET1 instruments subject to phase-out arrangements	
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82.	Current cap on AT1 instruments subject to phase-out arrangements	
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84.	Current cap on T2 instruments subject to phase-out arrangements	
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	