Pillar III Disclosure

Unicaja Banco Group

December 2019

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

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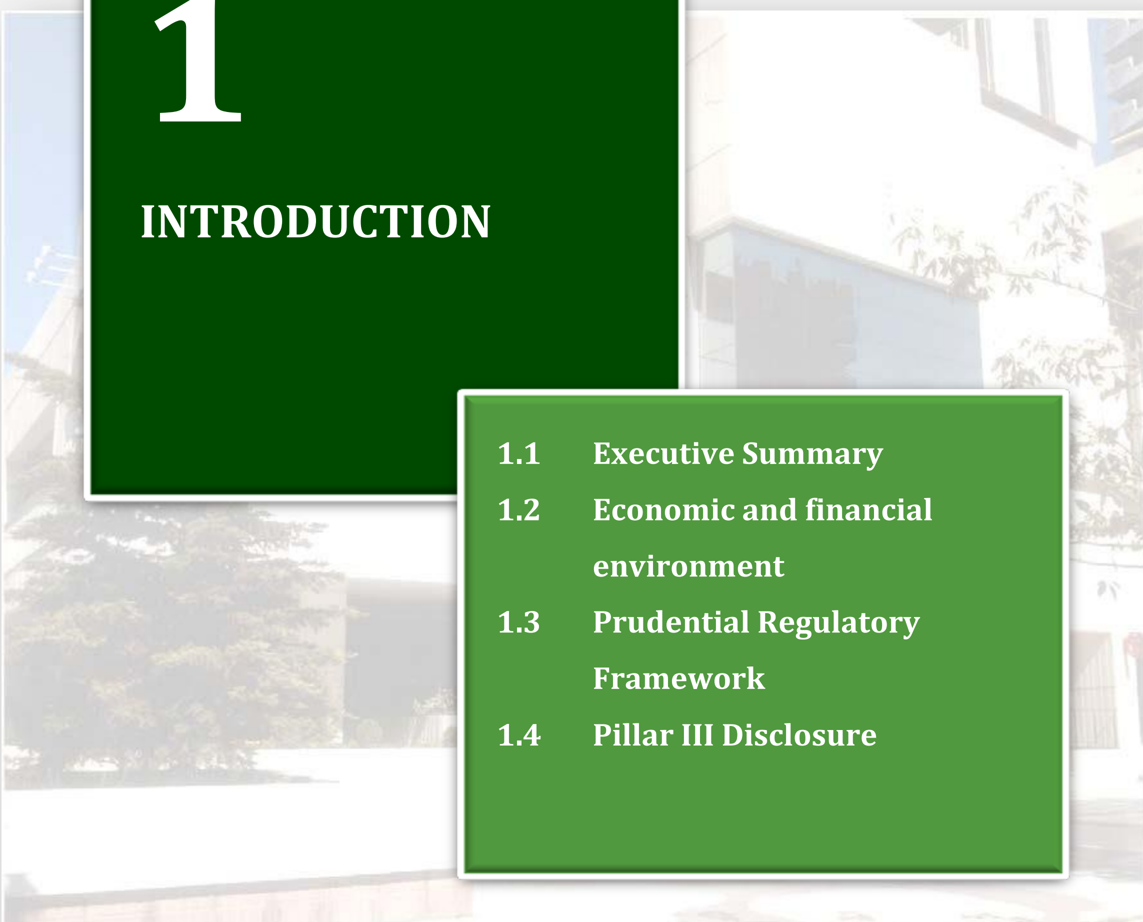

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INTRODUCTION

1 INTRODUCTION

1.1 Executive Summary

The objective of Pillar III Disclosure information is to comply with the transparency and market information requirements of Unicaja Banco Group, established in Part Eight of the European Union Regulation no. 575/2013 (hereinafter Regulation or CRR), of the European Parliament and of the Council, on the prudential requirements for credit institutions and investment firms. Regulation (EU) 575/2013 and Directive 2013/36/EU (hereinafter referred to as the 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 applicable solvency and supervision regulations for European credit institutions.

The Regulation, Part Eight 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.

In order to comply with current regulations on disclosure, Unicaja Banco Group has prepared this report, which contains the required information.

Unicaja Banco Group maintains its vocation for regional leadership in Andalusia and Castilla y León. At 31 December 2019, the Group had a network of 1,047 branches: 1,046 branches in Spain, spread over 38 provinces and in Ceuta and Melilla; and 1 correspondent branch in the United Kingdom.

Unicaja Banco Group carries out its activity in commercial, retail and corporate banking, applying solid risk management and control standards, and finances its credit activity mainly through the attraction of customer deposits and, to a lesser extent, through the issue 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 following are the highlights of Unicaja Banco Group in 2019:

Capacity to generate results

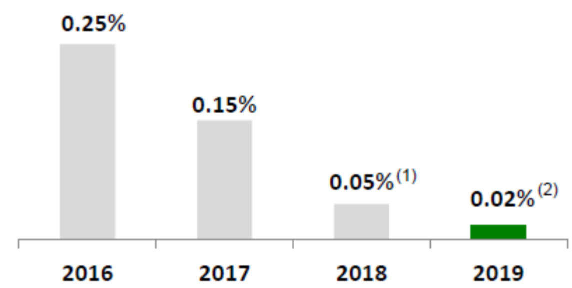
In 2019, Unicaja Banco Group maintained high levels of profit generation, allowing it to achieve a net profit of 172 million euros, with a year-on-year growth of 12.9%. The main factors enabling this high capacity to generate earnings to be maintained are the improvement in gross income, the reduction in operating expenses as part of a policy to improve efficiency, and the reduction in provisioning requirements, due both to the fall in the volume of non-productive assets and to the high levels of coverage achieved.

Gross income rose 1.0% compared to 2018, driven by revenues linked to products and services which grew 5.5%, by the the improved contribution of the real estate business which is reflected in other operating income and expenses, and by the increase in dividends, which together more than offset the lower contribution of net trading income.

Another relevant factor in the evolution of results is the reduction of the operating expenses, which fall by 2.0% in relation to 2018. This meant that operating profit before provisions rose 5.8% to 402 million euros at the end of December.

In 2019, Unicaja Banco Group has maintained reduced provisioning requirements, taking into account that extraordinary provisions, linked to the approved strategic plan, have been made for an amount of 230 million euros. The cost of recurrent credit risk and write-offs of foreclosed assets remained low, given the significant levels of coverage and the continued reduction of non-productive assets. As a result, the return on equity (ROE) was 4.4% at the end of December, 0.4 percentage points higher than a year earlier.

Cost of risk – Credit (%)



(1) Adjusted by written-offs sales. In 2018 cost of risk without adjustment represents -0.01%

(2) Excluding the impact from the NPL portfolio disposal, including the disposal the cost of risk represents 0.04%

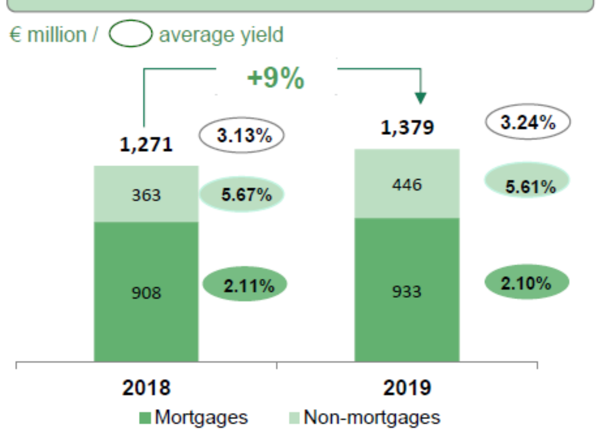
Boosting commercial activity: growth in credit and customer funds

The Group's commercial activity continues to grow, with an improvement in performing credit volumes in a sustained and profitable manner, as a result of the continuous increase in new production, and despite the increase in the last quarter of early cancellations of operations, which has led to lower growth than that resulting from the increase in credit granted during the year. The dynamism is also reflected in the attraction of customer funds, particularly in the sight and off-balance sheet items.

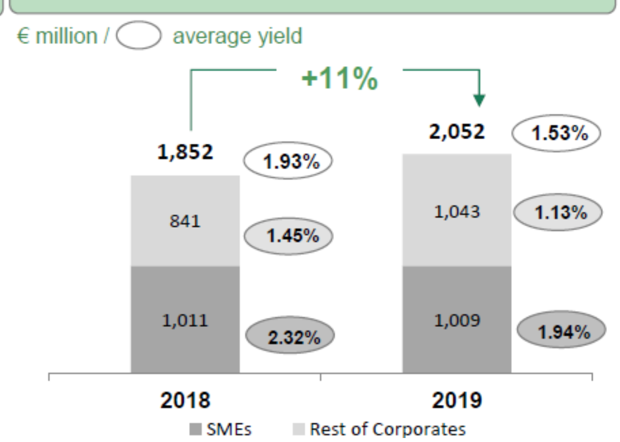
Thus, performing-loans excluding repurchase agreements grew by 0.7% in the year, focusing on the public sector, with a slight decrease in the private sector, where the aforementioned early cancellations took place.

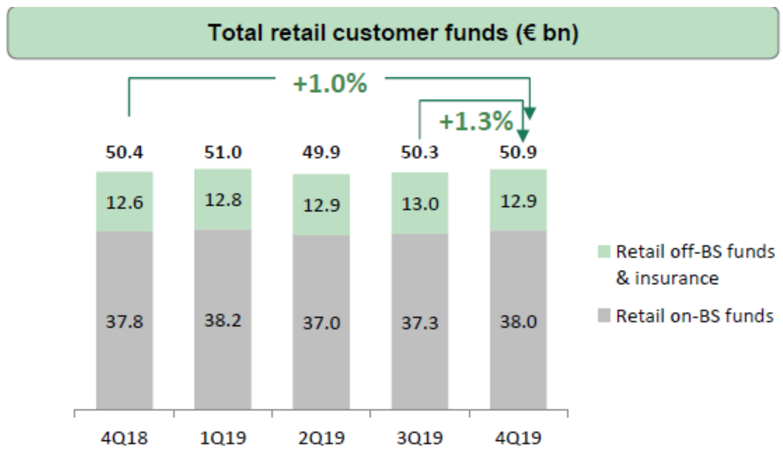
An indication of this commercial drive is the fact that loan formalisations have increased by 28% to 4,155 million euros in 2019, with growth occurring in all segments. In the case of companies, the growth in formalisations was 11%, while in the case of individuals it reached 9%. Within the latter segment, new concessions grew 3% in the case of mortgages and 23% in consumer and other loans. This improvement in lending volumes to individuals has in turn been accompanied by an increase in profitability. Additionally, in 2019, new loans to public administrations reached 723 million euros (versus 125 million euros in 2018).

New lending: Individuals



New lending: Corporates

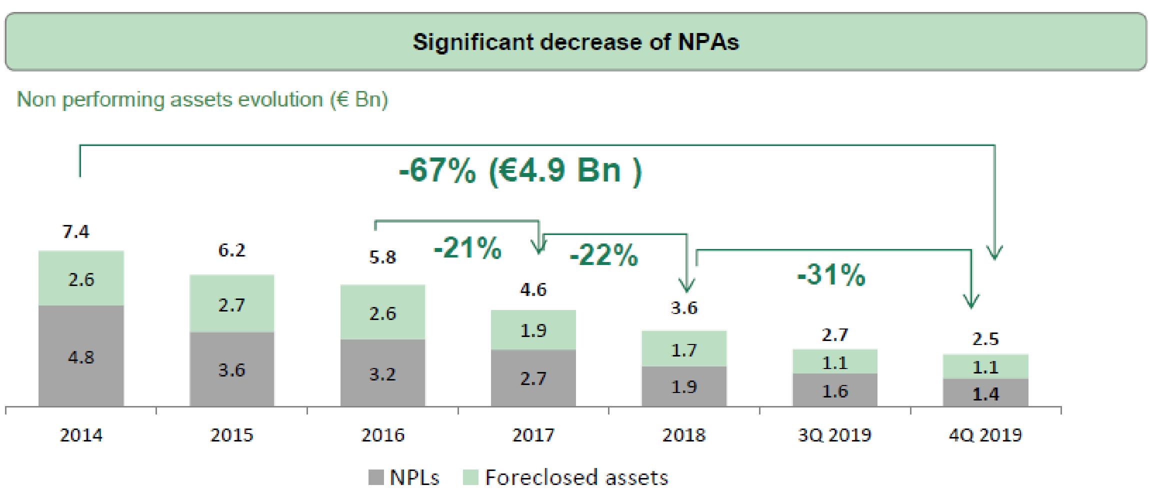




The volume of funds managed by the Group (without valuation adjustments) reached 55,558 million euros at the end of 2019, of which 50,898 million corresponded to retail customer funds. This type of customer funds grew during the year (+1%), with a clearly differentiated performance: there was an improvement in funds with a lower cost and in those generating higher returns, such as current and off-balance sheet funds, which increased by 7.1% and 2.2%, respectively, while the falls occurred in the rest of the on-balance sheet funds. Off-balance-sheet funds were boosted by the good performance of savings insurance (up 3.8%) and pension plans (up 3.3%).

Reduction of non-productive assets and high coverage

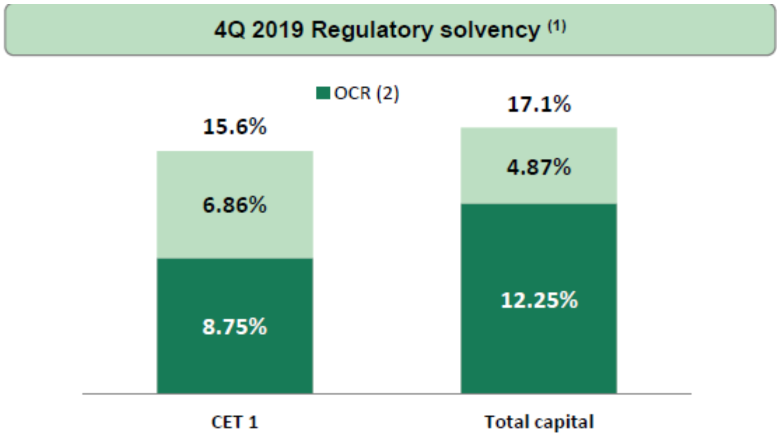
The sustained reduction in non-performing assets (non-performing assets plus foreclosed real estate) enabled Unicaja Banco to reduce its gross exposure by 1,117 million euros (-31.1%) in the last twelve months, with decreases of -29.9% in non-performing assets and 32.6% in foreclosed assets. At the end of the fourth quarter the Group's balance of non-performing assets fell to 1,351 million euros and that of foreclosed assets, to 1,120 million euros. The fall in non-performing assets led to a drop in the non-performing loans ratio by 1.9 percentage points in the last twelve months, down to 4.8%.



It should also be noted that these volumes of reduction of non-productive assets not only did not have a negative impact on coverage assets, but these were reinforced by 0.2 percentage points in the year to reach 57.9%, which is one of the highest in the sector. At the end of December 2019, the coverage of non-productive assets was 54% for non-performing risks and 63% for foreclosed properties.

The balance of non-performing assets, net of provisions, with an amount of 1,040 million euros, represents 1.8% of the Group's assets at the end of 2019, compared with 2.7% at the end of 2018, involving a decrease of 0.8 p.p.

High levels of solvency, allowing for increased dividend distribution, and comfortable liquidity



(1) Pro-forma figures excluding the deduction of the authorized unused treasury stock limit.
(2) Overall Capital Requirement (OCR): Total SREP Capital Requirement (Pillar 1 + Pillar 2R) + Capital Conservation Buffer

In terms of solvency, at the end of December 2019, Unicaja Banco Group improved its solvency situation, presenting a ratio of first level ordinary capital (CET1) of 15.6% and total capital of 17.1%, among the highest in the sector, and with an increase over the previous year of 0.2 percentage points and 1.5 percentage points respectively.

In fully-loaded terms(as calculated after the end of the transitional period for the application of the solvency regulations), Unicaja Banco has a CET1 ratio of 14% and total capital of 15.5%, which also increased during the year by 0.5 p.p. and 1.8 p.p. respectively.

These levels far exceed the requirements set by the ECB under the SREP (Supervisory Review and Evaluation Process) for 2019, which place the total capital ratio at 12.25%. The Group therefore has a surplus of 487 basis points over total capital requirements, equivalent to 1,121 million, which highlights the high capitalization of the entity.

The quality of the balance sheet and the levels of solvency, which improved during the year, made it possible to consider submitting for approval at the next Annual General Meeting of Shareholders, a proposal made by the Board of Directors to distribute a cash dividend of 45% of the Group's net profit (pay-out). This involves the distribution to shareholders of a total cash dividend of 77 million euros, compared to the 61 million euros distributed in 2018, wich represents an increase of share per dividend amounted 25%, and profitability per dividend amounted 5.6%.

The positive levels of coverage, solvency and quality of the balance sheet are also reflected in an improvement in the Texas ratio (an indicator of the percentage of non-performing and foreclosed assets in relation to the aggregate of capital and non-performing and foreclosed provisions). The ratio improved to 46.7%, after a year-on-year decline of 14.5 percentage points.

Also noteworthy is the positive impact on solvency that the change of control in Caser could have, already in the financial year 2020, on the capital of Unicaja Banco, estimated at 35 basis points, given the margin for the accounting revaluation of the interest in the insurance company (which remains at 9.9%), as well as the income of 46.87 million euros derived from the non-termination of the general insurance distribution agreement with the insurance company, following the waiver of Unicaja Banco's right to terminate the aforementioned agreement.

On the other hand, Unicaja Banco maintains solid and excellent levels of liquidity, as well as a high degree of financial autonomy. Liquid assets available (mainly government debt) and discountable at the ECB, net of assets used, amounted to 13,011 million euros at December 2019, representing 25% of the Group's total balance sheet. Furthermore, the customer funds with which the institution is financed greatly exceed its lending, as reflected in the loan-to-deposit ratio (LTD), which stands at 71.4%.

Transformation and commercial dynamization plans in progress

During the fourth quarter of 2019, Unicaja Banco has continued to develop and comply with its Business Plan for 2017-2020, which includes, among others, the plans for commercial transformation and dynamization designed with customer service in mind.

As part of the ongoing transformation plan, by the end of 2019, the number of digital customers represented 48% of the total. During this period, of all financial transactions and customer enquiries, 72% were made through digital banking channels, 21% in branches and 7% at ATMs.

Likewise, since last October, Unicaja Banco customers can pay through Bizum in the electronic shops that incorporate this modality in their means of payment. Similarly, the number of products available on the Internet and mobile phones has increased with the addition of accident insurance.

As part of the plan to boost sales, during the last quarter of 2019 various commercial activities were promoted, focusing on mutual funds, life-cycle pension plans, payrolls and specialized insurance, such as agricultural protection (*Agrocaser*).

Other actions in 2019

Moreover, in the last quarter of 2019, Unicaja Banco successfully placed a subordinated debt issue (Tier 2), for an amount of 300 million euros and a demand more than 3.5 times higher, received in a short period of time. This is a transaction that allows the Institution to advance in the fulfillment of the MREL's regulatory requirements.

CSR

Unicaja Banco has also continued to carry out actions in the fourth quarter of 2019 in the exercise of its Corporate Social Responsibility (CSR), of which, among others, the following can be highlighted:

I. The renewal of its participation in the Social Fund for Housing, to which Unicaja Bank has contributed a total of 375 homes.

II. In the area of sustainable finance and responsible banking, the inclusion of sustainable finance in one of the axes of the Strategic and Transformation Plan 2020-2022 is noteworthy, which will allow the progressive establishment and management of sustainability, as well as the setting of objectives, metrics and indicators. In addition, on the occasion of the United Nations Climate Change Conference (COP25), Unicaja Banco signed, together with more than 20 Spanish financial institutions, a collective agreement on climate action, by which the Bank undertakes, among other measures, to proceed within a given period of time to reduce the carbon footprint of its credit portfolio in accordance with the objectives set out in the Paris Agreement.

III. Edufinet's 2nd Financial Education Congress was held under the theme "Financial education for a changing society", in which some thirty experts from different disciplines analysed the future of this subject.

Finally, it should be noted that Unicaja Banco creates value for the different stakeholders, and contributes economically and socially to the communities in which it is present through the payment of taxes. In this regard, the contribution to the income of the public treasury settled in 2019 with a charge to the Institution amounted to a total of 172 million euros, an amount equivalent to its net profit.

New Strategic and Transformation Plan 2020-2022

Unicaja Banco has approved the implementation of a new three-year strategic plan for the period 2020-2022, with five main lines of action:

1. Growth and diversification of the business model focused on the client and profitability
2. Improvement of efficiency, processes and systems, accelerating digitalization
3. Prudent and agile risk management
4. Enhancing data and analytics as key to business and efficiency

5. Adoption of new forms of work and cultural evolution.

The cross-cutting axis of transformation is added to above.

The priority of the 2020-2022 Strategic Plan is to strengthen the generation of recurring income and to improve efficiency in order to achieve a sustainable profitability, while maintaining a comfortable solvency position. The new plan is based on Unicaja Banco's values and ethical commitments, such as social commitment, closeness to customers, sustainability, responsibility, transparency and financial education, through which the aim is to continue being the leading financial institution in its home markets (mainly Andalusia and Castilla y Leon), a benchmark in quality, closeness and confidence in service to its customers and committed to society, sustainable finance and value creation.

With regard to each of the axes on which the Strategic Plan is based, the one relating to the business model focuses on the adaptation of services to the specific needs of the different customer segments, on the specialized business and on the transformation of the distribution model in response to user needs; the efficiency and process plan boosts productivity and digitalization with the aim of continuing to reduce the cost basis in the future, while the risk plan has as its priority the improvement of the customer experience, maintaining a low risk cost. On the other hand, the analytics and data axis aims to improve the availability and advanced exploitation of the data throughout the organization, and the one related to talent and culture aims to adapt the staff to the new business needs, promoting an agile and multidisciplinary work culture.

Unicaja Banco's new strategic plan envisages a gradual improvement in income and efficiency from 2020 to 2022, with a continuation of the trend towards a reduction in non-productive assets, while maintaining a comfortable solvency position. All these components will contribute to achieving an improvement in structural profitability that will allow the Institution to set an annual profit growth target of 10% over the next three years and a pay-out of over 50%.

1.2 Economic and financial environment

Throughout 2019, world economic growth has weakened and the rate of increase in the Gross Domestic Product (GDP) has slowed, with the lowest growth rate in the last ten years. The most recent reports from various international bodies (IMF, OECD or European Commission) have made downward revisions to their growth outlooks for 2019 and 2020 as a whole, mainly as a result of higher trade barriers and weak trade, as well as geopolitical tensions, apart from other factors of a more structural nature such as low productivity growth or population ageing in advanced economies.

The OECD's latest Economic Forecast report from last November indicates that the world's GDP will grow by 2.9% overall in 2019 (0.6 percentage points less than in 2018). In this regard, the latest data published, relating to the third quarter of the year, generally reflect weak growth, with an estimated increase in GDP for the OECD as a whole of 0.4% in the third quarter, similar to that recorded in the previous quarter. By country, in Germany and the United Kingdom the GDP increased by 0.1% and 0.3%, respectively, after the second quarter's falls, while in France, Italy, Spain and the USA the growth was more stable.

Thus, in the last two years, growth outlooks have deteriorated mainly due to persistent political uncertainty and weak trade and investment, with differences in countries' growth expectations depending on the relevance of trade in each economy. Thus, the OECD estimates that world GDP could increase at a rate close to 3% in the next two years (2020-2021), below the 3.5% expected a year ago, with growth likely to slow to 2.0% in 2021 in the US, while in Japan and the Euro Zone it will be around 0.7% and 1.2%, respectively, with China's rate of increase slowing to around 5.5%, so that growth rates will generally be below their potential.

As for world trade, it is estimated that 2019 could close with a growth rate of 1.2%, about 2.5 points lower than in 2018, although it could subsequently gain momentum to reach 1.6% in 2020 and 2.3% in 2021. In this context, central banks have implemented more expansionary monetary policies in order to counteract the negative effects of trade tensions and stem the deterioration of the economic outlook. Uncertainty is very high and there is concern that the deterioration in the outlook is persistent, not so much because of cyclical shocks, but because of the possible impact on growth of factors of a more structural nature, such as climate change or digitalisation, which is compounded by the fact that trade and geopolitical relations are moving away from the multilateral order forged in the 1990s, as stated in the latest OECD outlook report. As a result, downside risks to growth remain, including increased restrictions on trade and investment, uncertainty about the Brexit and future EU-UK trade relationship, a sharper than expected slowdown in China, and high indebtedness of non-financial firms.

Inflation in the Eurozone, which has slowed down over the year due to falling energy prices, is expected to be 1.2% in 2019 and 2020, while the unemployment rate could be 7.6% in 2019 and fall to 7.4% and 7.3% in 2020 and 2021 respectively, although net job creation may slow down. The government debt-to-GDP ratio is also expected to continue to decline for the fifth consecutive year, despite lower GDP growth, although the government deficit is expected to increase slightly due to lower economic growth and somewhat more expansionary budgetary policies in some Member States. The joint deficit of the Eurozone could thus rise from a record low of 0.5% of GDP in 2018 to 0.8% in 2019, 0.9% in 2020 and 1.0% in 2021.

At the first monetary policy meeting of the Governing Council of the European Central Bank (ECB), chaired by Christine Lagarde, in mid-December, it was decided to leave the official interest rates in the Eurozone unchanged, which are expected to remain at or below their current levels, until there is a solid convergence of the inflation outlook to a level sufficiently close to, but below, 2% on the projection horizon, and this convergence has been consistently reflected in the evolution of core inflation. At the same time, asset purchases, which resumed on 1 November at a monthly rate of 20 billion euros, are expected to continue for as long as necessary to reinforce the accommodative impact of official rates and to end shortly before the ECB starts raising its key interest rates.

The Eurosystem's macroeconomic projections indicate that 2019 could close with a 1.2% growth, 0.1 percentage points higher than that estimated in September, while the growth forecast for 2020 has been revised downwards by 0.1 percentage points to 1.1%. In this regard, risks continue to point downwards (geopolitical factors, growing protectionism, vulnerabilities in emerging markets), although they are now somewhat less pronounced.

As regards consumer prices, the outlook for HICP (Harmonised Index of Consumer Prices) inflation has been revised slightly upwards for 2020, to 1.1%, and slightly downwards for 2021, to 1.4%, mainly due to expectations on the energy price trajectory. In fact, following the agreement by OPEC and the main producing countries at the meeting in early December to reduce the supply of crude oil by half a million barrels per day from 1 January 2020, the price of Brent oil has reached over $68 per barrel.

With regard to the Spanish economy, the European Commission has revised downwards by 0.4 percentage points the growth forecast for 2019 and 2020, to 1.9% and 1.5% respectively, although part of this variation is due to the statistical review of the National Accounts published in September. The OECD has also revised its growth forecasts for Spain downwards from its May projections, to 2.0% in 2019 and 1.6% in 2020, which would be explained by the lower momentum of domestic demand which, although it will continue to be the main driver of growth, will grow at a slower rate than in recent years, as the lower increase in employment and uncertainty could affect consumption and investment, while exports could be affected by the lower growth of export markets.

The latest projections by the Bank of Spain, in mid-December, leave the growth forecasts for the 2020-2022 forecast horizon unchanged, as various factors are observed whose conflicting effects would offset each other, as indicated in the note on these projections. Thus, although a less vigorous recovery in export markets is now expected than was anticipated in September, the latest data suggest that GDP growth would have stabilised in the second half of the year, as opposed to the slight weakening indicated by the conjunctural information available at the time of the previous projections.

Thus, current projections point to an extension of the current expansionary period, although GDP growth is expected to continue to show a gradual de<), and to moderate to 1.7% in 2020, 1.6% in 2021, and 1.5% in 2022, so that there is a gradual convergence towards the potential growth rate of the economy. Growth will continue to be supported mainly by domestic demand, helped by the maintenance of comfortable financial conditions and the improvement in the wealth situation of households and companies.

Thus, current projections point to an extension of the current expansionary period, although GDP growth is expected to continue to show a gradual deceleration path, as has been the case since mid-2017. Thus, GDP growth is expected to reach 2% in 2019, and to moderate to 1.7% in 2020, 1.6% in 2021, and 1.5% in 2022, so that there is a gradual convergence towards the potential growth rate of the economy. Growth will continue to be supported mainly by domestic demand, helped by the maintenance of comfortable financial conditions and the improvement in the wealth situation of households and companies.

In line with this growth slowdown, the pace of job creation is also expected to moderate. However, the unemployment rate will continue to fall to around 12.5% by the end of 2022, despite the increase in the working population. In turn, increases in labour costs and the expansionary monetary policy stance will translate into further upward pressure on prices, so that HICP growth is expected to rebound gradually from an annual average of 0.8% in 2019 to 1.6% in 2022.

However, the risks to economic growth remain predominantly downward oriented, and are mainly of external origin. In this regard, more unfavourable developments in world activity and trade cannot be ruled out, despite some recent signs of stabilisation. In addition, the lack of detail in the UK's exit from the EU and the possible resurgence of political tensions in some regions are, in the Bank of Spain's view, other sources of uncertainty. Moreover, domestically, uncertainties remain about the future direction of economic policies and in particular about the process of budgetary consolidation.

1.3 Prudential regulatory framework

With the publication of the global regulatory framework for international capital standards (Basel III) by the Banking Supervision Committee in December 2010, the requirements set out in the previous frameworks (Basel I, Basel II) were strengthened to increase the quality, consistency and transparency of the capital base and to improve risk coverage.

On 26 June 2013, the legal framework of Basel III was incorporated into the European law through Directive 2013/36/EU (known as CRD IV) on the access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC; and Regulation (EU) No. 575/2013 (known as CRR) on the prudential requirements for 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 requirement, and may use ratings and internal models for the calculation of risk-weighted exposures; Pillar II, which establishes a system of supervisory review of capital adequacy based on the risk profile and internal management of the exposures; and Pillar III, which refers to disclosure and market discipline.

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

- Improving the robustness and risk sensitivity of the standard methods for credit risk, credit valuation adjustment (CVA) risk and operational risk;
- Restricting the use of internal model-based approaches by introducing limits on some of the parameters used to calculate capital requirements in the internal ratings based (IRB) approach for credit risk and by eliminating the use of internal model-based approaches for CVA risk and operational risk;
- Introducing a leverage ratio buffer to further constrain leverage in systemically important global banks (G-SIB); and
- Replacing the current minimum limit on aggregate results (output floor) of Basel II with a more robust risk-sensitive floor based on the revised standard methods of Basel III.

At national level, the CRD IV was transposed through Law 10/2014 of 26 June 2014 on the Regulation, Supervision and Solvency of Credit Institutions, and its subsequent regulatory development through Royal Decree 84/2015 of 13 February 2015, which represents a further step forward in terms of access to the activity, solvency requirements and the supervision regime of these institutions; and by the Bank of Spain Circular 2/2016 on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No.º 575/2013.

The purpose of this Royal Decree 84/2015 is not only to complete the regulatory development of Law 10/2014, but also to recast in a single text those rules with regulatory status of order and discipline of credit institutions.

The main aspects covered are access requirements, suitability requirements and corporate governance. Institutions are also required to carry out a process of self-assessment of their capital levels, taking into account the nature, scale and complexity of their activities, and to clarify the capital buffer regime. The capital buffers that it establishes are:

- Capital conservation buffer: it will be applied, in a staggered manner, from 2016 onwards.
- Countercyclical capital buffer: it is specific to each entity; it begins to be applied in a staggered manner from 2016.
- Buffers for globally systemic entities (G-SIIs) and other systemic entities (O-SIIs).
- Buffers against systemic risks: to be set to cover non-cyclical systemic or macro prudential risks

The Bank of Spain has decided to maintain the value of the countercyclical capital buffer (CCA) applicable to the credit exposures in Spain of Spanish credit institutions during the fourth quarter of 2019 at 0 %. This macro-prudential policy decision is taken within the framework of the powers granted to the Bank of Spain by Law 10/2014 on the organisation, supervision and solvency of credit institutions, and by Royal Decree 84/2015 and Bank of Spain Circular 2/2016, which implement it.

Finally, the scope of the Bank of Spain's supervisory role and the framework for collaboration with other supervisors, in particular with the ECB within the Single Supervisory Mechanism (SSM), are developed.

On 5 February 2014, the Bank of Spain Circular 2/2014 of January 31 was published, by which, in accordance with the powers conferred on national competent authorities by Regulation (EU) No. 575/2013, the Bank of Spain made use of some of the regulatory options of a permanent nature provided for in that Regulation, and which was subsequently amended, during the transitional period, by the Bank of Spain Circular 3/2014 of July 30. These circulars allow for a progressive adaptation of the regulations through a gradual implementation schedule.

In addition, on 9 February 2016 the Bank of Spain published the 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 issues relating to minimum own funds and information on mandatory referral from mutual guarantee societies in Circular 5/2008), on the determination and control of own funds; as well as a section of Circular 2/2014, referring to the exercise of various regulatory options contained in the CRR.

On 23 November 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 calculating the EAD for counterparty risk. It also introduces modifications related to the treatment of central counterparty chambers, MDA, Pillar II and leverage ratio, among others.

During 2018, the Basel Committee continued to work on the following issues, among others:

- Market Risk: the Review of Minimum Capital Requirements for Market Risk, due in June 2018, was launched in March with the aim of completing the review of the market risk standard.
- Securitisations: simple, transparent and comparable in the short term. The Basel Committee has published in May: i) Criteria for identifying simple, transparent and comparable short-term securitisations, jointly with IOSCO; and ii) Capital treatment for simple, transparent and comparable short-term securitisations.

On the other hand, in March 2018, the Commission published its package of measures to address the high levels of non-performing loans (NPLs). Along these lines, the Commission published a proposal for a regulation on minimum coverage of losses on non-performing exposures, which was approved in early 2019.

Finally, in June 2019, the final texts of the revision of the capital framework and the resolution framework (CRR/CRD/BRRD revision) were published. This package implements a number of elements agreed in the Basel Committee and the FSB, including the net stable funding ratio (NSFR), the loss absorbency requirement (TLAC) for systemically important global institutions, revised standards on large exposure, counterparty credit risk, counterparty exposures, leverage ratio, mutual fund shares, disclosure requirements as well as the new market risk reporting framework.

The most relevant modifications of the new capital framework of the CRR II/CRD IV are the following: the extension of the scope of the supporting factor for the financing of SMEs; the introduction of a supporting factor for the financing of infrastructure; the recognition in the European Union of the capital issues of subsidiaries in third countries in the calculation of consolidated capital; and the possibility of not deducting the equity of software assets under certain conditions to be specified by the EBA. In addition, the EBA has published Roadmaps which communicate its plan of action to carry out the mandates derived from this new capital and resolution framework for each of the topics. One of these aspects is the drafting of technical standards to develop the new treatment.

1.3.1 Solvency

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

In order to ensure that the new regulations are implemented in a uniform manner throughout the European Union, the European Banking Authority (EBA) publishes a series of more specific guides and 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 updated Pillar III requirements published by the Basel Committee in January 2015 and aim to improve and increase the consistency and comparability of institutions' disclosures and ensure market discipline

1.3.2 Liquidity ratios

The Regulation (EU) No 575/2013 in its Part Six Title I introduces the liquidity ratio (LCR-Liquidity Coverage Ratio). Its aim is to provide institutions with a diversified reserve of liquid assets, which can be used to meet their liquidity needs, in the event of a short-term liquidity crisis (Articles 411-426).

In October 2014, the European Commission published the Delegated Regulation (EU) 2015/61, which complements Regulation (EU) No. 575/2013 with regard to the liquidity coverage requirement for credit institutions. This regulation applies from 6 February 2015. On 13 July 2018, the Commission's Delegated Regulation (EU) 2018/1620 was published, amending Regulation 2015/61 to increase harmonisation with international standards and to facilitate more efficient liquidity management by credit institutions.

Furthermore, Part Six, Title III, of Regulation 575/2013 establishes the NSFR-Net Stable Funding Ratio as a measure to complement the liquidity ratio. Its aim is for entities to adopt a stable financing structure in the longer term (Articles 427-428).

In June 2015, the Basel Committee on Banking Supervision (BCBS) published final standards specifying the disclosure requirements for the net stable funding ratio (NSFR). The aim was to improve the transparency of regulatory funding requirements, reinforce the principles for the proper management and supervision of liquidity risk, strengthen market discipline and reduce uncertainty in the markets.

In February 2017, the EBA published the final document "*Guidelines on ICAAP and ILAAP information collected for SREP purposes*". These Guidelines definitively set out a common approach and specify which information on ICAAP and ILAAP should be collected by the competent authorities.

In accordance with the regulations described above, entities must determine what information is being disclosed on liquidity, including content, granularity, frequency and references. In addition, it must assess the impact of the information disclosed on the capital and funding target on the liquidity profile. Deviations between information disclosed, internal information (ICAAP-ILAAP) and information reported to the competent authorities must also be explained.

In addition, in order to further develop liquidity regulations, the EBA published two consultations in 2016 to determine the disclosure of the Liquidity Coverage Ratio (LCR) and the asset encumbrance. Finally, on 8 March 2017, the final document on the disclosure of the Liquidity Coverage Ratio (LCR) was published. Furthermore, the European Commission conducted a consultation on the definition and development of the NSFR that served as preparation for the Commission's proposal to amend the CRR, which includes a proposal for the implementation of the NSFR in Europe.

In June 2017, the EBA published the Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.

1.3.3 Unencumbered assets

In accordance with the first paragraph of Article 443 of Regulation (EU) No 575/2013, the European Banking Authority (EBA) issued guidelines on the disclosure of information on encumbered and unencumbered assets on 27 June 2014.

On 4 September 2017, the Commission published the Delegated Regulation (EU) 2017/2295 supplementing Regulation (EU) No 575/2013 of the European Parliament and of the Council with regard to technical standards for disclosure of encumbered and unencumbered assets.

1.3.4 Leverage ratio

Regulation (EU) No 575/2013, in its Part Seven, Article 429, defines the leverage ratio (LR-Leverage Ratio) with the aim of limiting excess leverage in the financial system and of complementing 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 institutions' prudence in their funding structures, limiting excessive leverage and thereby avoiding destabilisation of the economy and the banking system.

The European Commission published in October 2014 the Delegated Regulation (EU) 2015/62 amending Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regard to the leverage ratio.

On 15 February 2016, the Regulation (EU) 2016/200 was published, laying down implementing technical standards with regard to the disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013. In January 2018, the EBA issued the guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/0013 as regards transitional arrangement for mitigating the impact of the introduction of IFRS 9 on own funds.

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%.

1.3.5 Bank recovery and resolution

In 2014, with respect to the construction of the European Banking Union, the Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 was approved, establishing a framework for the recovery and resolution of credit institutions and investment firms.

The aim of this Directive 2014/59 is to harmonise the procedures for resolving the crises of financial institutions in Europe, minimising the cost to the taxpayer. It also provides the Competent Authorities with a set of credible instruments to intervene sufficiently early and rapidly in an institution with soundness problems or that is no longer viable, to take the recovery or resolution measures deemed appropriate and to protect financial stability in all Member States concerned.

The Directive contains the obligation for institutions to maintain a Minimum Requirement for own funds and Eligible Liabilities (MREL) in order to ensure their ability to absorb losses. This minimum requirement shall be established for each entity by the Resolution Authority and shall reflect the resolution strategy deemed appropriate for that entity in accordance with its resolution plan.

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

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

On 18 June 2015, the Spanish Law 11/2015 on the recovery and resolution of credit institutions and investment firms was published. The main aspects contemplated are, on the one hand, the creation of the National Resolution Fund and, on the other hand, it establishes the instruments that can be used in case of resolution. The rules on internal recapitalisation entered into force on 1 January 2016.

As of 1 January 2016, the National Resolution Fund is to be integrated with the other National Funds of the Euro Zone Member States over a transitional phase of 8 years into a Europe-wide fund (European Single Resolution Fund).

As for the Single Resolution Fund, managed by the Single Resolution Board*,* the period of progressive mutualisation will allow for a shift from the National Resolution Funds, in force in several Eurozone countries until 2016, to the Single Resolution Fund, which will be fully implemented in 2024. The funding target for the single resolution fund is 1% of guaranteed deposits by 2024. The first year was calculated at 60% based on a national perimeter (BRRD perimeter) and 40% based on a euro zone perimeter (SRM perimeter). In 2017, these percentages were reversed, with financing at 40% BRRD and 60% SRM perimeter. In 2018, the financing was 33% with BRRD perimeter and 67% with SRM perimeter. SRM perimeter financing will gradually increase to 100% by 2024.

On 14 March 2016 Regulation (EU) 2016/445 of the European Central Bank on the exercise of options and discretions available in Union law was published. The European Central Bank shall assume the powers and obligations conferred on competent authorities under the applicable law of the Union and, in particular, shall be entitled to exercise the options and powers provided for in Union law.

In July 2016, the Commission published the Delegated Regulation 2016/1075, on recovery and resolution plans, in accordance with the Credit Institutions 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 framework for bank resolution, from the stage of planning the recovery and resolution of an entity, through the early action phase, until the moment the resolution measure is adopted.

1.3.6 Single Supervisory Mechanism and Single Resolution Mechanism

Prior to the entry into force of the Single Supervisory Mechanism (hereinafter SSM), the European credit institutions, in the context of the *comprehensive assessment* process based on the review of the AQRs and the stress test, were subject to a rigorous solvency assessment by the ECB in coordination with national supervisors and the European Banking Authority (hereinafter EBA).

As of 4 November 2014, the SSM was established, composed by the European Central Bank (hereinafter ECB) and the competent national authorities of the participating European Union countries, including the Bank of Spain. It was set up as the new system of financial supervision of credit institutions in the euro area, based on principles and rules jointly agreed by different bodies at an European level.

The SSM, and particularly the ECB, took over the supervisory functions, including those of authorising, withdrawing or imposing sanctions on credit institutions, which had traditionally been carried out by national authorities.

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

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

During 2015 the SSM 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 2014.

In addition, during 2016 the SSM made a great effort to harmonize supervisory policies among countries and to make their expectations transparent.

As for the Single Resolution Mechanism (SRM), this body 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 minimal costs to taxpayers. The SRM has been operational since 1 January 2016 and is in a period of progressive mutualisation until 2022.

1.4 Pillar III Disclosure

In accordance with the above, this report aims to comply with Part Eight, Title I of Regulation (EU) No 575/2013, which states that institutions shall publicly disclose the information relevant to the adequacy of their risk profile.

Annex V lists the disclosure requirements of Part Eight of the CRR, indicating where in this report or in the Group's public document they are met.

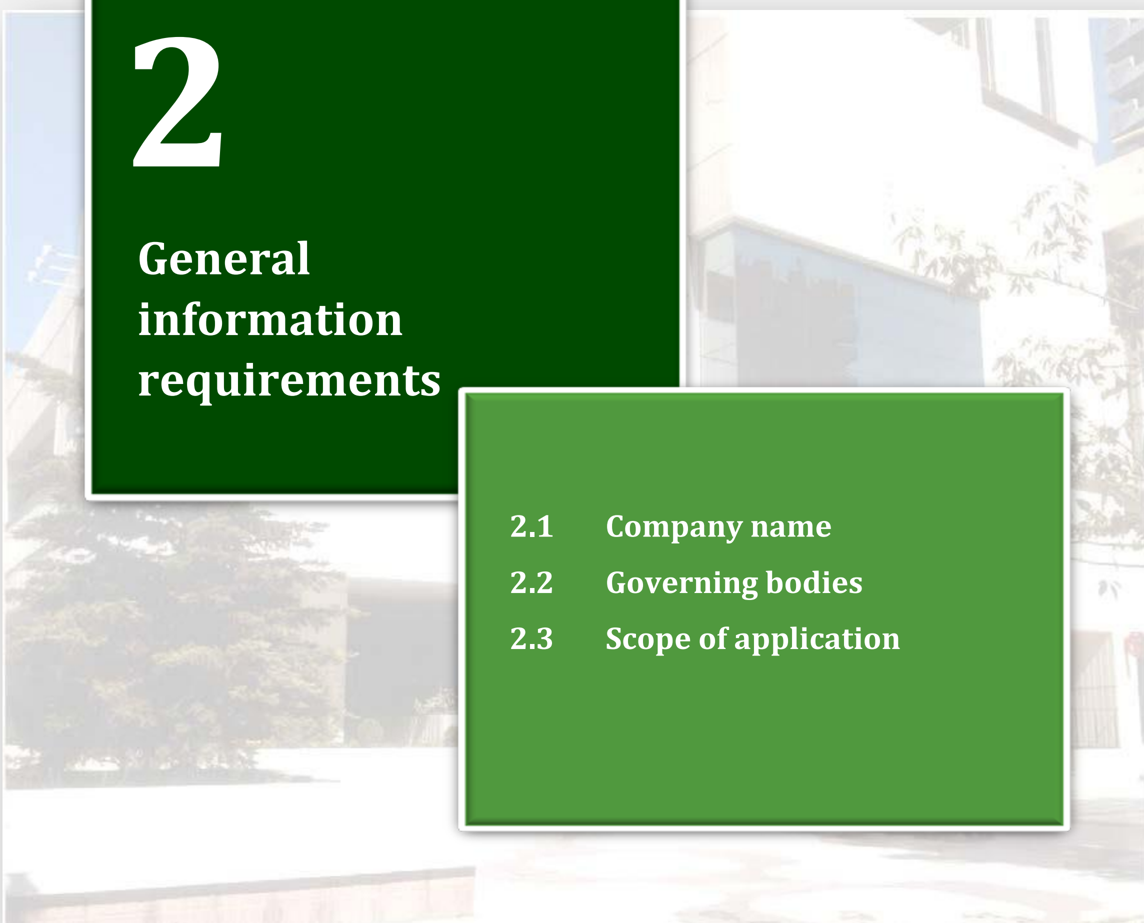
In addition to this regulatory text, the following standards and guidelines published by the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS) are noteworthy:

- "Guidelines on Materiality, Proprietary and Confidentiality and on Disclosure Frequency" (EBA GL/2014/14)
- "Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013" (EBA GL/2016/11).
- "Revised Pillar 3 disclosure requirements", January 2015 (BCBS).
- "Pillar 3 disclosure requirements- consolidated and enhanced framework", March 2017 (BCBS).
- "Pillar 3 disclosure requirements – updated framework", December 2018.

In accordance with Unicaja Banco Group's disclosure policy, this report, prior to its publication, has been verified by Internal Audit and, having the favourable report of the Audit and Compliance Committee, has been approved by the Board of Directors on 21 February 2020.

This "Pillar III Disclosure" will be available on the Bank's corporate website (www.unicajabanco.com). Certain information required by the regulations in force that must be included in this report is presented, in accordance with said regulations, referenced to the consolidated financial statements and management report of Unicaja Banco Group for 2019 (available on the corporate website), as it is contained therein and would be redundant with it.

Likewise, in accordance with article 433 of Regulation (EU) no. 575/2013 and with the disclosure requirements established by the European Banking Authority, a set of information is published on a quarterly basis from the first quarter of 2018, which can also be consulted on the corporate website of Unicaja Banco, on the same site as this document.



2

General information requirements

2.1 Company name

2.2 Governing bodies

2.3 Scope of application

2 GENERAL INFORMATION REQUIREMENTS

2.1 Company name

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Institution, the Entity, the Bank or the Company) is a credit institution incorporated for an indefinite period of time on 1 December 2011. The start of its activity is a consequence of the approval by the General Assembly of Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera and Jaén - Unicaja (currently, Fundación Bancaria Unicaja) of the indirect exercise of the financial activity through a bank.

Unicaja Banco is a listed company since 30 June 2017, date on which the Company's shares were admitted to trading on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges.

The corporate purpose of the Bank is the performance of all manner of activities, operations, acts, contracts and services inherent to the banking business in general or which are directly or indirectly related or complementary to it or its development, provided that their performance is permitted or not prohibited by current legislation.

The Bank's purpose includes the provision of investment and other ancillary services, as well as the performance of insurance agents' own activities, either as exclusive or tied operators, without the simultaneous exercise of both.

The Bank is registered in the Mercantile Registry of Malaga and as a credit institution in the Special Registry of the Bank of Spain under number 2103. The Bank also holds a license to engage in banking activities granted by the Ministry of Economy and Finance, pursuant to Article 1 and related provisions of Royal Decree 1245/1995.

The Bank is also the head of a sub-group of subsidiaries, which engage in various activities and which make up Unicaja Banco Group, as described in the consolidated financial statements for 2019.

Unicaja Banco S.A. is an Institution subject to the rules and regulations of the banking institutions operating in Spain. Additional public information on the Bank is available on the official website (www.unicajabanco.com).

For further information, please visit Unicaja Banco website in the main menu section Institutional/ About Unicaja Banco (https://www.unicajabanco.com/es/institucional)

2.2 Governing bodies

Unicaja Banco is managed by the Board of Directors, which is governed by the applicable legal provisions and by the Bylaws , as well as by the Board Regulations, approved by the Board, which contain its operating and internal rules, those governing the support committees and those governing the conduct of its members.

The Board of Directors has five support committees that carry out supervision, information, advice and proposal tasks in the areas of their competence: the Audit and Compliance Committee, the Appointments Committee, the Remuneration Committee, the Risk Committee and the Technology and Innovation Committee.

In accordance with article 435.2 of the CRR, the main bodies that make up the corporate governance system, their functions, composition and operation, among others, as well as the policies implemented to ensure the suitability of the members of the system and the policies on diversity, are available in the Annual Corporate Governance Report for 2019, published on the website of the CNMV (www.cnmv.es) and on that of the Institution (www.unicajabanco.com).

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 Group determined on the basis of prudential requirements.

Appendices I, II and III to the notes to the consolidated financial statements for 2019 provide a breakdown of the companies included in the public scope of consolidation, indicating, inter alia, their method of integration and their principal activity.

The main differences relating to the scope of consolidation and the different consolidation methods applied between the public consolidation scope applied in the consolidated financial statements and defined in accordance with the International Financial Reporting Standards adopted by the European Union ("IFRS-EU") and the prudential consolidation scope, defined in Chapter 2 of Regulation (EU) No. 575/2013, are summarised below

- **Subsidiaries**. In the preparation of the consolidated financial statements of Unicaja Banco Group, all the subsidiaries were consolidated using the full consolidation method, regardless of whether or not they meet the requirements for consolidation due to their activity.

However, for the purposes of applying the prudential solvency requirements, in the consolidated information relating to Unicaja Banco Group, only the subsidiaries which are in turn "entities eligible for consolidation due to their activity", in accordance with the provisions of Chapter 2 of Regulation (EU) No. 575/2013, were fully consolidated.

For the purposes of preparing this information, Unicaja Banco Group companies that are not eligible for consolidation due to their activity have been valued by applying the equity method, as defined in EU-IFRS.

In accordance with the aforementioned criteria, the detail at 31 December 2019 of the subsidiaries of Unicaja Banco Group, to which the full integration method has been applied for solvency purposes, is presented.

Table 1: Subsidiaries consolidated using the full consolidation method for solvency purposes

Company name	Activity	Ownership interest
Alteria Unicaja Corporation. S.L.U.	Inv. assets and financial companies	100%
Banco Europeo de Finanzas, S. A	Credit institution	100%
Finanduero Sociedad de Valores, S.A.U.	Inv. assets and financial companies	100%
Acquired Property Management, S.L.U.	Real estate development	100%
Acinipo Real Estate, S.L.U.	Real estate development	100%
La Algara Sociedad de Gestión S.L.U.	Tourism sector	100%
Propco Blue 1, S.L.	Real estate development	100%
Unicaja Gestión de Activos Inmobiliarios, S.A.U.	Real estate holding company	100%
Unicartera Gestión de Activos, S.L.U.	Recovery activity and management of disputes	100%
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Wealth Management	100%
Unigest, S.G.I.I.C., S.A.U.	Collective Investment Scheme Manager	100%

- **Joint ventures (jointly-controlled entities).** When preparing the consolidated financial statements of Unicaja Banco Group, the jointly-controlled entities were valued by applying the equity method. For the purposes of preparing solvency information, the investments in jointly-controlled entities were consolidated using the proportional integration method, except for those not eligible for consolidation due to their activity, which were valued using the equity method.

The following table shows the detail at 31 December 2019 of the jointly-controlled companies of Unicaja Banco Group to which the proportional integration method has been applied for the purposes of preparing the consolidated prudential information.

Table 2: Jointly-controlled entities to which the proportional consolidation method has been applied for solvency purposes

Company name	Activity	Ownership interest
Cartera Perseidas, S.L.	Inv. assets, securities and financial companies	45.27%
Madrigal Participaciones, S.A.	Inv. assets, securities and financial companies	75.70%

- **Subsidiaries or jointly-controlled entities which are not consolidated or deducted.** Below there is a list of those subsidiaries or jointly-controlled entities of Unicaja Banco Group which, when preparing the information for solvency purposes, have not been fully or proportionally consolidated, nor have they been deducted from the Group's capital.

Table 3: Subsidiaries or jointly-controlled entities which are not consolidated or deducted

Company name	Activity	Ownership interest
Alqlunia Duero, S.L.U.	Real estate development	100%
Analistas Económicos de Andalucía, S.L.U.	Studdy and analysis of economic activity	100%
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement of documents and deeds	100%
Cerro del Baile, S.A.	Real estate development	80%
Project Development of Castilla y León S.L.U.	Real estate development	100%
Dolun Social Housing, S.L.	Real estate development	40%
Espacio Medina, S.L.	Real estate development	30%
Real Estate Uniex Sur, S.L.U.	Real estate development	100%
Lares Val de Ebro, S.L.	Real estate development	33.33%
Quay One - Port of Málaga, S.A.	Real estate development	39.74%
Humilladero Industrial Park, S.L.	Industrial land development	89.77%
Pinares del Sur, S.L.U.	Real estate development	100%
Rochduero, S.L.	Real estate development	54.09%
Segurándalus Mediación, Correduría de Seguros, S.A.U.	Insurance brokerage	100%
Sociedad de Gestión San Carlos, S.A.	Real estate development	60.18%
Unimediación, S.L.U.	Insurance brokerage	100%
Uniwindet, S.L.	Renewable energies	100%
Viproelco, S.A.U.	Real estate development	100%

At 31 December 2019, there were no subsidiaries not included in the consolidation with own funds lower than the minimum required by applicable regulations.

In addition, there are no significant current or planned practical or legal impediments to the rapid transfer of own funds or the reimbursement of liabilities between the Bank and its subsidiaries.

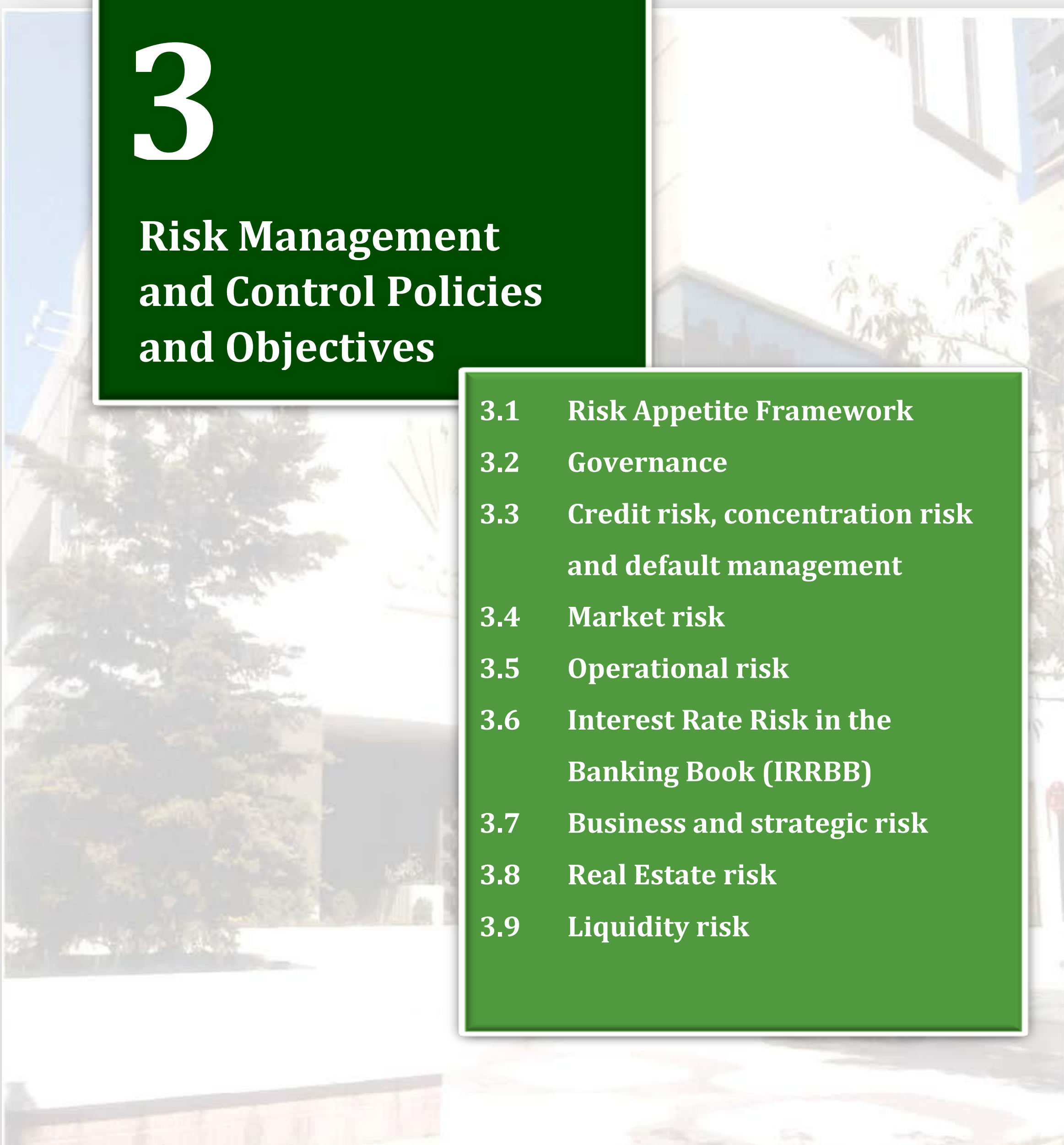
- **Companies deducted from Tier 1 capital:** The holdings owned by Unicaja Banco Group at 31 December 2019 which are considered significant holdings, in accordance with Article 43 of Regulation 575/2013, and are therefore subject to deduction from Common Equity Tier 1 (CET 1) are Caja España Vida, Compañía 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, Mastercajas y Ahorro Andaluz S.A.

Annexes I, II and III to Unicaja Banco Group's consolidated financial statements detail the group, jointly-controlled and associated companies as of 31 December 2019.

The following table shows the reconciliation between the public and reserved balance sheets of Unicaja Banco Group:

Table 4: Reconciliation between the public and the reserved balance sheet as at 31 December 2019

Data as of 31 Dec. 19 *(Thousands of euros)*	Public Balance Sheet	Reserved Balance Sheet	Difference
Cash, cash balances at central banks and other demand deposits	4,558,815	4,558,577	-238
Financial assets held for trading	35,298	17,583	-17,715
Derivatives	*7,966*	*7,966*	*-*
Equity instruments	*27,332*	*9,617*	*-17,715*
Non-trading financial assets mandatorily measured at fair value through profit or loss	92,664	92,664	-
Debt securities	*92,664*	*92,664*	*-*
Financial assets at fair value through other comprehensive income	1,886,161	1,155,721	-730,440
Equity instruments	*636,091*	*617,369*	*-18,722*
Debt securities	*1,250,070*	*538,352*	*-711,718*
Financial assets at amortised cost	44,679,791	44,691,013	11,222
Debt securities	*16,662,155*	*16,662,155*	*-*
Loans and advances	*28,017,636*	*28,028,858*	*11,222*
Derivatives - hedge accounting	507,229	507,229	-
Investments in subsidiaries, joint ventures and associates	363,347	545,359	182,012
Assets created by insurance or reinsurance contracts	2,163	-	-2,163
Tangible assets	1,161,954	1,150,195	-11,759
Intangible Assets	66,225	14,337	-51,888
Tax assets	2,757,773	2,661,661	-96,112
Other assets	291,722	301,072	9,350
Non-current assets and disposal groups classified as held for sale (360)	304,473	304,473	-
TOTAL ASSETS	**56,707,615**	**55,999,884**	**-707,731**
Financial liabilities held for trading	25,116	12,958	-12,158
Financial liabilities measured at amortised cost	50,204,678	50,240,252	35,574
Deposits	*48,810,251*	*48,864,130*	*53,879*
Debt securities issued	*357,907*	*357,907*	*-*
Other financial liabilities	*1,036,520*	*1,018,215*	*-18,305*
Derivatives - hedge accounting	427,761	427,761	-
Liabilities created by insurance or reinsurance contracts	630,694	-	-630,694
Provisions	921,134	917,937	-3,197
Tax liabilities	325,385	217,389	-107,996
Other liabilities	202,452	213,671	11,219
TOTAL LIABILITIES	**52,737,220**	**52,029,968**	**-707,252**
TOTAL OWN FUNDS	**3,970,395**	**3,969,916**	**-479**



3

Risk Management and Control Policies and Objectives

3 RISK MANAGEMENT AND CONTROL POLICIES AND OBJECTIVES

Unicaja Banco Group pays rigorous attention to maintain a prudent and balanced risk profile while preserving the objectives of solvency, profitability and adequate liquidity.

The main figures reflecting this risk profile of the Group are included in the consolidated Management Report. In this regard, the most relevant indicators of the risk profile at Unicaja Banco Group as at 31 December 2019 are summarized below:

- NPL ratio: 4.8%.
- NPA coverage ratio: 57.9%
- Leverage ratio: 6.5% (*)
- CET1 (phase-in) ratio: 15.6% (*)
- Total capital ratio (phase-in): 17.1% (*)
- Liquidity Coverage Ratio (LCR): 319%

The risk management and control system implemented by Unicaja Banco Group is articulated along the following basic lines:

- A system of governance and organisation 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 sets the general lines of risk management and control in the Entity.
- A Risk Appetite Framework (also known as RAF) that is configured within Unicaja Bank Group as a fundamental instrument in the implementation of the risk policy.
- A model of prudent management of risk exposure in which Unicaja Banco Group pays rigorous attention to permanently maintaining a prudent and balanced risk profile, preserving the objectives of solvency, profitability and adequate liquidity, which translates into a solid and coherent risk culture.
- A selection of appropriate methodologies for the identification, measurement, management and control of risks, in a continuous process of improvement and in line with regulatory requirements, while adapting the own funds requirements to the level of real risks derived from the banking activity.
- A supervisory model based on three lines of defence, in line with the expectations of the regulatory and supervisory authorities.

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

Based on the current regulatory framework, Unicaja Banco's organizational structure includes the Corporate Directorate of Global Risk Control, which reports to the General Directorate of Control, Strategy and Relations with Supervisors, and is functionally separated from the areas that generate the exposures. One of the functions of this Directorate is to assume control, from a global perspective, of all the risks incurred by the Entity. The organisation of the Management of Unicaja Banco Group has an internal structure, which is perfectly defined, and which supports it and allows it to materialise the different decisions taken.

(*)Proforma data: The deduction of the authorized limit of unused treasury stock is not considered.

3.1 Risk Appetite Framework

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

Unicaja Banco Group uses the RAF as an instrument for implementing the Group's risk policy and as a key management and control tool that enables it: (i) to formalize the risk appetite statement; (ii) to specify the Group's risk objectives in line with the corporate strategy, acting as a guiding reference for the activities carried out; (iii) to formalize the risk supervision and monitoring mechanism, so as to ensure compliance with the risk appetite; (iv) to integrate into a common framework all the risk control and management processes and (v) to strengthen and disseminate the risk culture. The development of this Framework as the Group's general risk policy is a fundamental element in the management and control of the Entity, providing the Board of Directors and Senior Management with the comprehensive framework that determines the risks that the Entity is willing to assume in order to achieve its business objectives.

Therefore, the main objective of Unicaja Banco's RAF is to establish a set of principles, procedures, controls and systems through which the Entity's risk appetite is defined, communicated and monitored.

Risk appetite is considered to be the level or profile of risk that Unicaja Banco is willing to assume and maintain, both in terms of its type and amount, as well as its tolerance level, and must be oriented towards achieving the objectives of the strategic plan, in accordance with the lines of action established therein.

The main objective in the management of the different risks is to achieve a risk profile that is within the desired appetite level, defined from the established limits, carrying out those management measures that are considered most appropriate for achieving this.

In addition, this Framework establishes different metrics for the quantification, control and monitoring of risks, which allow it to react to certain levels or situations. These cross-sectional metrics characterize the objective behavior of Unicaja Banco Group, and allow the transmission of the risk appetite culture at all levels in a systematized and understandable way. In turn, they synthesize the objectives and limits of Unicaja Banco Group, so they are useful for communication, where appropriate, to stakeholders, and are homogeneous, as they are applied throughout the organization.

Unicaja Banco Group has a process for identifying material risks, in which methodologies are established for quantifying all the risks to which the Bank is exposed. It also defines a criterion for the selection of those risks that are material and therefore need to be managed and controlled more intensively. This management and control involves, among other things, the allocation of internal capital within the Internal Capital Adequacy Assessment Process (ICAAP), or in the case of liquidity risk, the allocation of liquidity management buffer, assessed within the Internal Liquidity Adequacy Assessment Process (ILAAP). The process of quantifying and identifying material risks is carried out on a recurring basis, enabling the Entity to identify emerging risks at all times.

For both the capital and liquidity self-assessment process, the Entity carries out evaluations of changes in its risk profile under the implementation of stressed scenarios, both in internal exercises and in those subject to regulatory supervision (ICAAP, ILAAP and EBA stress tests) to see the impact that such scenarios would have on the economic value of the portfolio or the Entity's financial margin. This provides the management team and the governing bodies with the necessary insight into the resistance of Unicaja Banco Group to internal and/or external events.

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

The Corporate Directorate of Global Risk Control monitors compliance with the Risk Appetite Framework through the existing metrics for each type of risk. These are monitored by the Senior Management and Governing Bodies.

Finally, the Entity has integrated the Risk Appetite Framework with the Business Plan, ICAAP, ILAAP, the corporate risk policies and the Recovery Plan*,* among others. The Entity ensures compliance with the established risk culture by approving the management framework, developing strategies and policies, and monitoring the limits established for the management of each type of risk.

3.2 Governance

The risk management and control model requires a robust and effective organizational structure. This requires effective involvement of the Board of Directors and Senior Management, and adequate articulation within the Organization as a whole.

Below there is a list of the bodies directly involved, indicating their main functions and responsibilities in relation to risk management and control, without prejudice to the other functions provided for by law, the bylaws and the Bank's regulations and manuals, where applicable.

Board of Directors

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

- Approve the risk control and management policy, including fiscal risks, as well as the periodic monitoring of internal information and control systems.
- Approve the RAF and its subsequent amendments, as proposed by the Risk Committee.
- Take into consideration the RAF in the ordinary management of the Entity and, especially, in the adoption of strategic decisions.
- Receive information, at least on a quarterly basis, of the monitoring of the RAF through the Risk Commission, without prejudice to the information it may require at any time.
- Take appropriate correction measures where deemed appropriate.
- Specifically approve, where appropriate, the maintenance of situations involving the violation of Limits.

Risk Committee

Among its main functions are:

- Advise the Board of Directors on the Bank's overall risk appetite, current and future, and its strategy in this area and to assist the Board in monitoring the implementation of this strategy.
- Ensure the proper functioning of risk control and management systems and, in particular, the adequate identification, management and quantification of all significant risks affecting the Company.
- Ensure that the 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 Company's risk management policy, ensuring that it identifies at least:
    a) The various types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks) faced by the Company, including among financial or economic risks contingent liabilities and other off-balance sheet risks.
    b) Setting the level of risk that the Company considers acceptable.
    c) The measures foreseen to mitigate the impact of the identified risks, should they materialize.
    d) The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities or off-balance sheet risks.

In particular, within the framework of the RAF:

- Propose to the Board of Directors the approval of the RAF and its subsequent modifications.
- Inform the Board of Directors, at least quarterly or at any time upon its request, of the RAF monitoring.
- Request, when it is deemed convenient, information regarding the RAF from the various Directorates.
- Propose appropriate correction measures where deemed appropriate.
- To propose to the Board of Directors, where appropriate, the maintenance of situations involving the violation of a Limit.

Audit and Compliance Committee

In addition to the functions provided for by law and in the Bylaws, the Audit and Regulatory Compliance Committee is responsible for functions relating to:

- Information and internal control systems, monitoring, among other things, the effectiveness of the financial information internal control system (FIICS).
- Internal auditor.
- Statutory auditor.
- Compliance with corporate governance rules.
- Regulatory compliance.
- Operations of structural and corporate modifications that the Entity plans to carry out.

Among these functions, as far as risks are concerned, the evaluation of all the company's non-financial risks - including operational, technological, legal, social, environmental, political and reputational risks - stands out.

Technology and Innovation Commission

Among the functions attributed to this Commission is the monitoring of technological risk, in general.

Strategy and Transformation Committee

Its functions include the following related to the RAF:

- Validate and submit, as appropriate, to the Governing Bodies proposals for documents relating to the strategic planning of the institution, including the RAF.
- To transfer the main criteria of the RAF, either the initial ones or their subsequent adaptations, to the rest of the Bank, through the competent Directorates in each area, in order to maintain a solid "risk culture" in Unicaja Banco.
- Evaluate the implications of the RAF, in their respective areas of competence, in coordination with the internal committees of the entity, which will in turn pass on the information to the competent Directorates if necessary.

The Corporate Governance Report of Unicaja Banco Group, published on the website (www.unicajabanco.com), identifies the Entity's bodies 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 Entity's risk tolerance level, as well as the response 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 failure to make payments due to the Entity. This risk is inherent to its business.

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

This document defines the policies and procedures that must be complied with for risks, details the activities and tasks to be carried out, delimits the responsibilities of the different areas involved in the processes of granting and monitoring operations, establishes the predisposition to risk decided by the Entity and its articulation through risk limits and types of operations, and documents in a structured and unified manner all the general and particular aspects related to a large part of the credit investment operations.

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

Unicaja Banco Group carries out an activity focused mainly on commercial, retail and corporate banking, applying solid risk management and control standards. Through the formulation and periodic review of the Risk Appetite Framework (RAF), the Governing Bodies of Unicaja Banco Group monitor that the credit risk profile is consistent with the business strategy. The main figures reflecting the Group's credit risk profile are included in the consolidated annual accounts and in the quarterly results presentations.

Unicaja Banco Group also has scoring and rating models integrated into the admission, monitoring and recovery processes. PD, LGD and EAD estimates are taken into account in different uses such as the granting of transactions, the calculation of provisions or the classification of credit transactions. The authorisation for risk models is granted by the Board of Directors.

The criteria on which these models and estimates are based are approved by the Senior Management.

The principles developed for this purpose are aligned with the Bank's current situation, through the Manual of Policies, Functions and Procedures for Customer Credit Risk and with the regulatory requirements established by the regulations in force, including the following points:

- Granting criteria linked to the borrower’s ability to pay.
- Customer-adjusted amortization plan for the transaction.
- Prudent relationship between the amount of the transaction and the value of the collateral.
- Trading policy.
- Collateral valuation policy.
- Consideration of interest rate and exchange rate variability in the granting of loans in foreign currency.
- Interest rate risk coverage.
- Policy on exceptions to transaction terms.
- Warning to the customer about failure to comply with payment obligations.
- Debt renegotiation policy.
- Information on the cost of services linked to the granting of the credit operation.
- Obligation to inform home buyers by subrogation to the developer's loan.

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

In addition, the granting of credit operations must be subject, depending on the beneficiaries, nature, amount, term, guarantees and characteristics, to a decentralised approval process based on the collegiate powers of the following decision-making bodies

- Board of Directors.
- Credit Committee.
- Credit Committees of the Corporate Directorate of Credit Risk.
- Corporate Banking Credit Committee.
- Territorial Management Credit Committees.
- Credit Committees at the Areas of the Territorial Management.
- Branch Credit Committees.

Likewise, the functions and methodologies for credit risk control are applied, both in the admission and in the monitoring phases of credit operations. Monitoring consists in the surveillance of the evolution of the risk of the operation itself and of the customer and, if applicable, economic group. In this way, the credit risk of the financial investment is controlled and monitored through various controls:

- Preventive supervision of operations and borrowers.
- Supervision of impaired, non-performing and defaulting operations

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

Additionally, Unicaja Banco has methodologies, procedures, tools and rules of action for the control and recovery of non-performing assets.

Unicaja Banco has traditionally been very prudent, both in identifying and in accounting for refinancing and restructuring. Finally, within the framework of credit risk, Unicaja Banco Group specifically incorporates in its risk management and control model the exposures to sovereign risk and to business participations.

Unicaja Banco Group has credit risk mitigation measures that are used in its management. These measures include the valuation and appraisal of guarantees linked to credit risk transactions (real and personal guarantees). These measures are detailed in section 9 "Credit risk reduction techniques" of this document.

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 in the financial variables or risk factors that determine the value of said positions.

Although for solvency purposes market risk is assigned to trading positions, Unicaja Banco Group has developed policies, processes and tools for the management of market risk corresponding to the entire portfolio of securities recorded in the accounts at fair value, including 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 the same, in particular "Value at Risk" (VaR) and operational limits for credit/counterparty risk that affect the operations of Unicaja Banco Group in capital markets.

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

- Market data management
- Measurement

- Control

Through the establishment of the limits and diversification structure, the Group controls the exposure to market risk, defining an action framework for the various operations that the Entity carries out in the financial markets, so that they are carried out within this framework.

The limit structure is also used as a means of diversification to avoid overly concentrated market risk exposures.

Responsibility for identifying and controlling risk ultimately lies with the Governing Bodies of Unicaja Banco Group, so that the Senior Management is responsible for and must actively participate in the entire risk management process (planning, approval, assessment and control of all risks inherent to the positions taken by the Bank in financial markets).

3.5 Operational risk

Operational risk is defined as the risk of loss due to inadequate or failed internal processes, personnel and systems or to external events. Reputational, model, technological, behavioural, legal and fiscal risk are included as operational risk and strategic risk is excluded.

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

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

Also included in operational risk are technology risk, reputational risk and behavioural risk.

Technological risk is the risk associated with technological tools, operating systems and new technologies. This is a broad risk, which covers all IT and technological actions.

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

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

This constant effort to maintain and reinforce the good image of the Entity is rooted in 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 regulations on financial instruments and investor protection ("MiFID") and financial services protection.

- The process of continuous training of employees in all areas in which they carry out their activity, which specifically includes training related to ethical aspects, as determined in the "Code of Conduct".

Finally, the risk of conduct refers to the risk of incurring a bad practice internally by the Entity at the time of origin of the event, either in the knowledge of the action (with knowledge of cause or bad faith on the part of the offender), or due to a lack of knowledge that does not exempt the correct compliance.

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

Unicaja Banco Group has established a series of procedures to capture operational loss events. These provide the Group with the necessary information to be able to implement the corresponding operational risk management policy mitigation instruments. It also has an Operational Risk Framework, approved by the Board of Directors, having proceeded to its dissemination and implementation within the Organization.

Since December 2017, the Entity has been using the Standardised Approach as a methodology for quantifying operational risk in terms of capital, with the aim of improving its operational risk management, in line with the Entity's risk culture.

3.6 Interest Rate Risk in the Banking Book (IRRBB)

The Interest Rate Risk in the Banking Book (IRRBB) is defined as the current or future risk to both the results and the economic value of the entity arising from adverse fluctuations in interest rates affecting interest rate-sensitive instruments.

The control functions and methodologies carried out by the Entity include the definition of the limit structure, limit control, control of the effectiveness of balance sheet hedges as mitigation instruments and the use of stress testing measures. Thus, in the analysis, measurement and control of the interest rate risk assumed by the Group, techniques are used to measure sensitivity and analyse scenarios that could have a significant effect on it.

Based on the results of the exposure to structural interest rate risk presented by Unicaja Banco Group on each date of analysis, a series of actions are implemented to mitigate this exposure until it is brought back to the acceptable levels defined by the Bank's risk profile.

- The Board of Directors approves the Entity's global risk management strategy and sets the general lines and control of such management.
- The Assets and Liabilities Committee (ALCO) develops the strategy within the framework and limits established by the Board of Directors.

3.7 Business and strategic risk

It is defined as the risk of incurring losses derived from an erroneous analysis of the market in which it operates due to ignorance of it, or the inability to achieve business objectives, which could threaten the viability and sustainability of the Entity's business model.

In order to analyze the soundness of its business model, the Group carries out an exercise to identify potential internal and external vulnerabilities, taking into account the probability of their occurrence and impact, identifying for these mitigating measures to address them.

3.8 Real Estate risk

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

Unicaja Banco Group sets limits on real estate risk relating to assets received in payment of debts in order to control this exposure and keep it within appropriate levels.

These assets are managed in the Entity with the ultimate purpose of their divestment or lease. For this purpose, Unicaja Banco Group has instrumental companies, specialized in the management of urban development projects, marketing of real estate and leasing of real estate assets.

It also 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 the adequate management and control of the Entity.

3.9 Liquidity risk

Liquidity risk can be defined in different ways since it is not a single concept. There are usually three different meanings of liquidity risk, which are will described here as:

- Cost of undoing a position in a real or financial asset (refers to the difficulties that can arise to undo or close a position in the market, in a given moment, without producing impact in the market price of the instruments or in the cost of the transaction (Market or Asset Liquidity).
- Gap between the enforceability of passive operations and the degree of realisation of active operations (funding liquidity).
- A mismatch between the growth capacities of investment activity due to the impossibility of finding financing in accordance with the risk appetite to leverage asset growth strategies (strategic or structural liquidity).

The following sub-risks can also be distinguished within liquidity risk:

- Financing risk
- Intra-group transaction risk
- Foreign currency financing risk
- Contingent risk
- Intraday liquidity risk
- Franchise risk
- Risk relating to pledged assets

Structural liquidity risk arises basically from mismatches between the maturities of assets and liabilities (inflows and outflows) in the various time bands. All this makes it necessary to improve and develop appropriate systems and procedures for the identification, measurement, control and management of liquidity risk.

The Bank establishes prudent policies and objectives that take into account not only normal market conditions but also contingency plans for both its own and the market's own stress or crisis situations.

Adequate liquidity management is a fundamental aspect in all institutions, as it has been demonstrated in the period of crisis. Therefore, it is becoming more relevant in the new regulatory requirements. Therefore, 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 incurring high costs or loss of profitability, either because of excessive costs to cover needs in a liquidity deficit or because of an excess of liquidity that results in a low return on assets, giving priority to a policy of prudence in balancing the two possibilities and ensuring that the cost of this policy is as low as possible.

The Entity manages liquidity risk in order to ensure that it has sufficient liquidity at all times to meet its payment commitments associated with the settlement of its liabilities, on their respective due dates, without compromising the Group's ability to respond quickly to strategic market opportunities, while remaining at all times within the Risk Appetite Framework (RAF). The main figures reflecting the Group's liquidity risk profile are included in the consolidated financial statements and in the quarterly presentations of results. Unicaja Banco Group has established liquidity risk limits to control exposure to it and to maintain such exposure within authorized levels.

In general terms, liquidity is considered adequate if the potentially liquid assets and financing capacity are greater than the needs arising from the business and from refinancing in markets.

The greater this difference, the greater the available liquidity.

Unicaja Banco Group also practices a policy of diversification in order to avoid excessively concentrated structural liquidity risk exposures. Similarly, in its liability management, it diversifies its sources of funding, ensuring that they are diversified by market, term, and product, in order to avoid difficulties in particular moments of crisis or markets.

In view of the above, liquidity monitoring is carried out on the one hand in the

- **Asset management:** maturity analysis, saleability, degree of liquidity, potential use as collateral

On the other hand, in the:

- **Liability management:** analysis of maturities, diversification of business sources, maturities other than the contractual ones, behaviour in the face of interest rate movements.
- **Access to markets:** financing capacity in wholesale markets and time needed to obtain financing.

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.

- **Short-term liquidity coverage ratio (LCR)**, which measures the sufficiency of available, liquid, high-quality assets in place to compensate for net cash outflows that could occur in the event of severe stress at 30 days. Unicaja Banco Group does not present a problem to the liquidity risk, having an adequate fund of high quality liquid assets (HQLA) and free of charges, which can be easily and immediately converted into cash in the markets, in order to cover its liquidity needs in a scenario of liquidity problems of 30 calendar days (net of cash outflows and inflows). Unicaja Banco Group's LCR ratio as at 31 December 2019, was 319%, above the minimum regulatory requirement of 100%.
- **Long-term net stable funding ratio (NSFR)**, to maintain a minimum number of stable funding sources, in line with the liquidity profiles of the assets and possible contingent liquidity needs for long-term off-balance-sheet commitments. Compliance with this ratio means that institutions must provide themselves with stable financing structures (as measured by the NSFR) by setting a minimum amount of stable financing required according to the characteristics of the assets, which is maintained over a year, i.e. the ratio between stable financing (liabilities) and assets requiring stable financing. Unicaja Banco Group maintains an NSFR ratio as at 31 December 2019 of over 100%, specifically 141%, well above the regulatory minimum required, which was set at 100%.

The Entity also carries out a recurrent internal liquidity assessment process (ILAAP) which concludes, among other things, that the Entity's risk management mechanisms are adequate in relation to the Entity's profile and strategy.

Finally, for liquidity risk management, Unicaja Banco Group has established a sound process consisting of the practical execution of a series of functions involving the Board of Directors, the Treasury Committee, the Assets and Liabilities and Budget Committee, the General Directorate of Control, Strategy and Relations with Supervisors, the General Directorate of Finance and the organizational units reporting to the members of the ALCO.

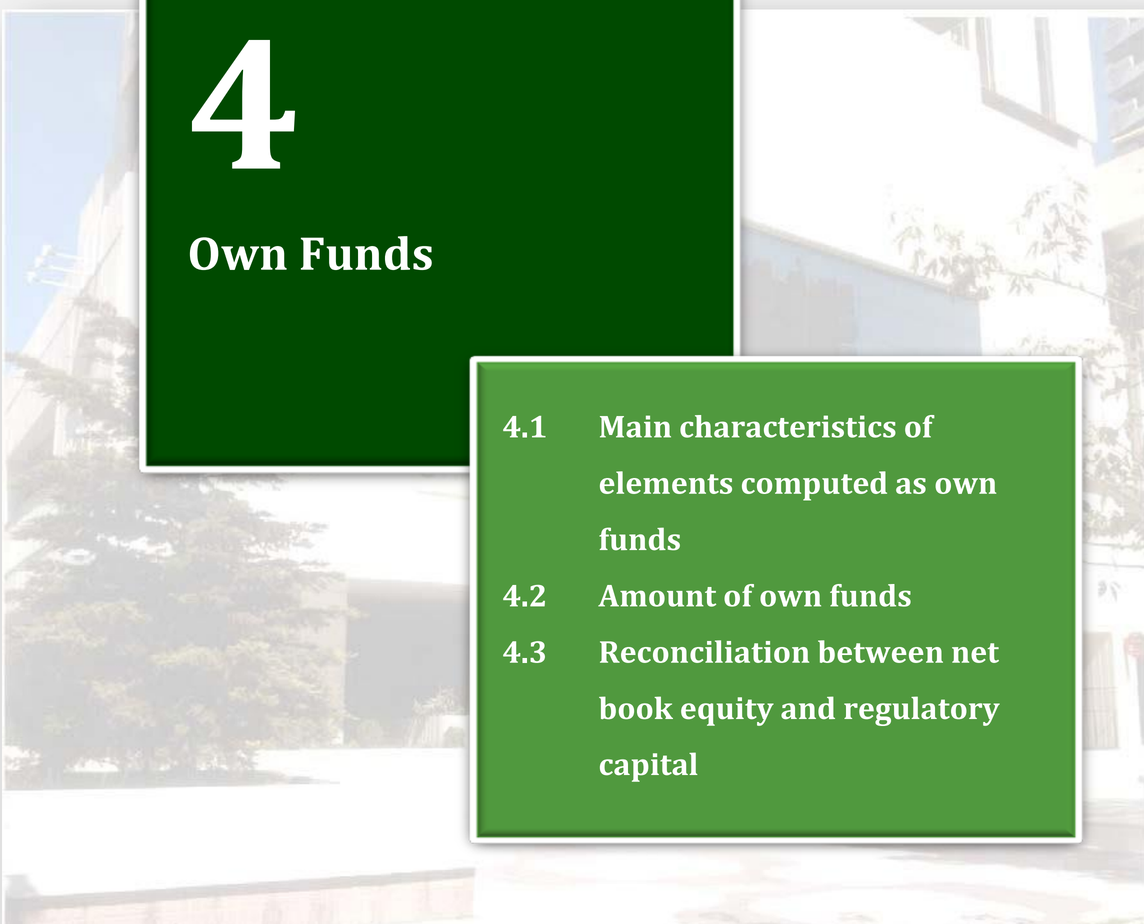
Therefore, it has been necessary to develop a contingency plan, periodically reviewed, and based on three fundamental premises:

- Definition of stress testing scenarios: systemic crisis, average and severe own crisis.

- Projection of liquidity in scenarios and establishment of warning signals, 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

In accordance with Title I, Part Two of EU Regulation No 575/2013, the total own funds are equal to the sum of Tier 1 capital (Tier 1 or T1) and Tier 2 capital (Tier 2 or T2). Tier 1 capital is composed of Common Equity Tier 1 (CET1) and of Additional Tier 1 capital (AT1).

Under Implementing Regulation 1423/2013 laying down implementing technical standards with regard to disclosure of own funds requirements, the transitional own funds reporting template is published as Annex III to 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

- Share capital
- Share premiums associated to the share capital
- Accumulated earnings (reserves and profits, from the prudential perimeter, net of foreseeable dividends)
- Accumulated other comprehensive income (gains/losses on financial assets at fair value through other comprehensive income)
- Other reserves

Common Equity Tier 1 is capital considered to be of the highest quality and its components are characterised by the fact that they can be used immediately without restriction to cover risks or losses, as soon as they occur, their amount being recorded free of any foreseeable tax at the time it is calculated. These components show a stability and permanence in time higher than the Tier 2 capital components.

As for capital deductions, the concepts that have been deducted are

- Intangible assets
- Goodwill (Article 37 of the Regulation)
- Significant investments in a financial sector entity (Article 43 of the Regulation)
- Deferred tax assets that rely on future profitability (Article 38 of the Regulation)

The capital deductions have been calculated in accordance with Part Ten, Section 3 of the Regulations (transitional provisions), with the double limit on CET 1 capital, both for the calculation of deductions for significant investments and for deferred tax assets that rely on future profitability from temporary differences. The Bank of Spain Circulars 2/2014 and 3/2014 describe the timetable for the progressive application of these deductions for credit institutions operating in Spain. This timetable is amended by Regulation EU 2016/445 of 14 March 2016 and further amended by Circular 3/2017.

4.1.2 Additional Tier1 Capital

The additional Tier 1 capital items have been calculated in accordance with Chapter 3 of Title 1, Part Two of the Regulation and consist of those capital instruments which meet the conditions set out in Article 52(1).

As at 31 December 2019, the Group has the following outstanding issue of Perpetual Contingently Convertible Bonds (PeCoCos).

Table 5: Outstanding PeCoCos as at 31 December 2019

Issue	Titles issued	Nominal amount (thousands of euros)	Balance (thousands of euros)
PeCoCos	47,573,771	47,574	47,574

PeCoCos Bonds are bonds convertible into ordinary shares of Unicaja Banco with a par value of one euro, belonging to a single class and series, represented by book entries. The conversion ratio of these bonds will be the one resulting from the ratio between the nominal unit value of the issues of these bonds to the value attributed to the ordinary shares of Unicaja Banco, which is established at 1.18827 euros per share, with the difference between the nominal value of the bonds to be converted and the nominal value of the shares received as a counterpart being considered a share premium. As at 31 December 2019 this issue is not traded on any type of secondary market.

The PeCoCos Bonds are placed in the following order of precedence: (a) behind all of Unicaja Banco's common and subordinated creditors; (b) pari passu with the preference shares, preference stock or comparable securities of a perpetual nature that Unicaja Banco has issued (or guaranteed), may issue (or guarantee) or in which it has been subrogated (or may be subrogated); (c) ahead of the necessarily and contingently convertible bond issues, bonds or other securities necessarily convertible/exchangeable comparable to the necessarily and contingently convertible bonds issued or that could be issued by Unicaja Banco or an Entity of Unicaja Banco Group, with the guarantee of Unicaja Banco or in which it has been (or can be) subrogated; and (d) ahead of the ordinary shares of Unicaja Banco.

This type of bond entitles their holders to discretionary, predetermined and non-cumulative remuneration, to the conversion into ordinary shares of Unicaja Banco, subject to certain conversion scenarios and to the political rights deriving from membership of the respective bondholder's unions. The shares into which the aforementioned bonds are eventually converted will grant their holders the same rights as the shares of Unicaja Banco currently in circulation.

The accrual of discretionary remuneration is conditional upon the following four conditions being met simultaneously:

- The existence of distributable profit, once the services provided for by law and Unicaja Banco Bylaws have been covered;
- That there are no limitations imposed by the current or future Spanish or European regulations on own funds that are applicable;
- That the Board of Directors of Unicaja Banco, at its sole discretion, taking into account the situation of solvency of Unicaja Banco or Unicaja Banco Group, has not decided to declare a case of non-remuneration, considering it necessary not to proceed with the payment of remuneration for an unlimited period, considering in any case that the 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 Unicaja Banco Group, in accordance with the applicable regulations.

In the event that the conditions set out in the previous sections are only partially applicable, Unicaja Banco may, at its sole discretion, pay the remuneration in part or declare a case of non-remuneration. If for any reason the remuneration is not paid in full or in part to the bondholders on a payment date, the bondholders will not be able to claim the remuneration.

The Perpetual Contingently Convertible Bonds (PeCoCos) will necessarily be converted into shares, in their entirety, in the cases indicated below, and partially, in the amount necessary to recover, where appropriate, the imbalance in own funds or in the amount set by the competent authority, in the remaining cases:

- **Total mandatory early conversion**: The bonds will be converted into shares in the following cases: (i) if Unicaja Banco adopts any measure aimed at its dissolution and liquidation, whether voluntary or involuntary, or if it is declared bankrupt, or (ii) if Unicaja Banco adopts any measure that results in the approval of a reduction of share capital in accordance with the provisions of article 320 and following of the Spanish Corporate Enterprises Act, or article 343 by reference to article 418.3 of the Corporate Enterprises Act.

- **Contingency events**: The bonds will be converted into shares in cases where the capital ratios of Unicaja Banco Group, calculated on a quarterly basis, are below the limits indicated in the securities note relating to the issue 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 a decision is taken to inject public capital or any other financial support measure, 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 and in application of the Basel III own funds computability rules (CRD IV/CRR) in 2014, the bonds cease to be eligible at least as additional Tier 1 capital; (ii) if the bonds cease to be eligible as principal capital; or (iii) if the bonds cease to be eligible as common capital.

In view of the above, the directors of Unicaja Banco consider that these convertible instruments do not entail an unconditional contractual obligation to deliver cash or another financial asset, or to exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the Group, and therefore they should be classified as equity instruments and recognised in full in own funds under "Issued equity instruments other than capital" in the Group's consolidated balance sheet.

On 21 February 2020, the Board of Directors of Unicaja Banco, having verified that the conditions set out in the prospectus were met, agreed to pay discretionary remuneration on the PeCoCos Bonds issued by the Bank, for a total gross amount of 6,850 thousand euros, for the period from 28 March 2019 to 28 March 2020 (in the previous year, discretionary remuneration of 6,850 thousand euros was agreed for the PeCoCos outstanding at 27 February 2019).

4.1.3 Tier 2 Capital

Subordinated debt issues are considered as Tier 2 capital, in accordance with the limits and deductions established in the Regulation. All the issues of subordinated debt rank behind all the Bank's common creditors for credit priority purposes. Thus, they are classified as eligible for the purposes of the solvency ratio, although at no time may amounts exceeding the percentages referred to in Directive 2013/36/EU (CRD IV) and Regulation EU 575/2013 (CRR) which entered into force in 2014 be counted as own funds.

As at 31 December 2019, Unicaja Banco had the following outstanding Tier 2 Subordinated Debt issue:

Table 6: Outstanding Tier 2 Subordinated Debt as at 31 December 2019

Issue	Securities issued	Nominal amount (thousands of euros)	Balance (thousands of euros)
Subordinated Debt T2	3,000	300,000	300,000

On 13 November 2019 ("issue date"), and under the resolutions adopted by Unicaja Banco General Meeting of Shareholders' on 27 April 2018 and by the Board of Directors of Unicaja Banco on 25 October 2019, the issue of Subordinated Bonds to professional investors and eligible counterparties, which Unicaja Banco S.A. had placed on the market on 6 November 2019, for a nominal amount of 300 million euros and maturing on 13 November 2029, was closed and paid. Unicaja Banco may, at its option, on the fifth anniversary of the issue date (13/11/2024) and with the prior consent of the Supervisor, proceed to the early redemption of the issue in full, not in part, for its principal amount together with the interest accrued and not paid until (but excluding) that date, subject to the conditions set out in the issue prospectus (sections 4.2 and 4.3 of the Conditions of the Bonds).

The issue price of the Subordinated Bonds was 100% and the unit amount was 100,000 euros. They will accrue a fixed annual coupon of 2.875% during the first 5 years, until 13 November 2024 (excluded), payable on 13 November of each year, with the first payment being made on 13 November 2020. From 13 November 2024 (included) and until 13 November 2029 (excluded) they will accrue a fixed interest equal to the applicable 5-year Mid-Swap rate plus a margin of 3.107%, payable on 13 November of each year, with the first payment at this new rate being made on 13 November 2025.The securities were admitted to trading and are listed on the AIAF Fixed Income Market (ISIN ES0280907017).

Unicaja Banco requested the consideration of the Subordinated Bonds as Tier 2 capital instruments in accordance with the criteria of Regulation (EU) 575/2013, of 26 June, of the European Parliament and of the Council, having obtained conformity for their calculation as second tier eligible capital.

The Subordinated Bonds will constitute contractually subordinated loans of the Bank in accordance with article 92.2 of the Spanish Law 22/2003, of 9 July, on Bankruptcy. Insofar as they are Tier 2 capital instruments in accordance with Additional Provision 14.3 of the Spanish Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment services companies, and, consequently, are in the following order of priority: (a) behind all common creditors and for subordinated loans of Unicaja Banco under section 92.1 of Law 22/2003 of 9 July, Bankruptcy Law, of subordinated loans not classified as Additional Tier 1 capital or Tier 2 capital and of any other subordinated loans that by law and/or by their own terms, if permitted by law, enjoy a higher rank than Tier 2 Subordinated Bonds; (b) pari passu with any other Tier 2 capital instrument and any other subordinated loan which by law and/or by their own terms, if permitted by law, rank pari passu with the Tier 2 Subordinated Bonds; and (c) ahead of Unicaja Banco ordinary shares, any other Addiotional Tier 1 capital instrument and any other subordinated loan which by law and/or by their own terms, if permitted by law, rank pari passu with the Tier 2 Subordinated Bonds.

Also, if there were and still is a total or partial loss of the eligibility of the Subordinated Bonds as Tier 2 capital of the Bank or of the Group (Capital Event, as defined in the prospectus), or a change in tax regulations or in the application thereof, involving, inter alia, the loss of the deductibility of interest payments to be made under the Subordinated Bonds or gives rise to the Bank's obligation to *gross up* such payments to the holders of the Subordinated Bonds as a result of the need to make withholdings or deductions in certain circumstances (Tax Event, as defined in the prospectus), Unicaja Banco, subject to the prior authorisation of the relevant regulator and in accordance with the applicable banking regulations, may replace or amend the terms of all (not only some) of the Bonds, without the prior consent of their Holders, for the purpose of the bonds to remain qualified with Tier 2 capital instruments.

4.2 Amount of own funds

The following is a detail of Unicaja Banco Group own funds as of 31 December2019, indicating each of its components and deductions, and broken down into Common Equity Tier 1 (CET1), Additional Tier 1 capital (AT1) and Tier 2 capital (T2).

Table 7: Own funds

OWN FUNDS	(thousands of euros)
TOTAL T1	**3,591,673**
TOTAL CET 1	**3,544,099**
Paid-in capital instruments	1,610,302
Share premium	1,209,423
Own Common Equity Tier 1 instruments	-54,541
Accumulated earnings	1,034,158
Minority interests recognized in Common Equity Tier 1 capital	-
Adjustments to Common Equity Tier 1 capital due to prudential filters	91,433
Convertible contingent liabilities issued by the FROB	-
Other accumulated comprehensive income	-1,050
Adjustment Unrealized gains	-
Deduction of securitisation positions	-
Goodwill and intangible assets deduction	-16,966
Deferred tax assets that rely on future returns	-364,956
Holdings of Common Equity Tier 1 capital of financial sector entities where the institution has a significant investment	-62,498
Transitional adjustments under IFRS 9	98,795
TOTAL AT1	**47,574**
Equity instruments eligible for additional Tier 1 capital	47,574
TOTAL T2	**300,000**
Subordinated Bonds	300,000
TOTAL OWN FUDS	**3,891,673**

Unicaja Banco Group closed the 2019 financial year with a volume of own funds of 3,891,673 thousand euros, which represents 16.93% of its risk-weighted assets.

The Group maintains a solid solvency and liquidity position. The capacity to generate earnings in such an unfavourable environment is mainly due to the improvement in net interest income, the reduction in operating expenses as part of a policy to improve efficiency and the reduction in provisioning requirements, due to both the fall in the volume of non-productive assets and the high levels of coverage achieved.

The CET1 ratio, in accordance with the regulations in force, reached 15.42%, which also shows the high quality of Unicaja Banco Group's capital, characterized by absolute control of the share capital and reserves over the rest of the eligible elements. The level of capital is well above all the capital standards currently required to the Group.

4.2.1 Changes in own funds during the year 2019

On 1 January 2018, IFRS 9 came into force and the application of this standard led to accounting changes that affect capital ratios. This way, the Entity chose to apply the transitional provisions on a voluntary basis, in accordance with Article 473 bis of the CRR, mitigating the impact of the adoption of IFRS 9 by applying a static phase in. This way, Unicaja Banco Group adds to its Common Equity Tier 1 capital the amounts calculated in accordance with section 4 of the aforementioned article 473 bis.

4.2.2 Capital Buffers

The current regulations governing the own funds to be maintained by entities establish that the capital ratios required for 2019 are as follows:

- A Common Equity Tier 1 capital ratio of 4.5%.
- A Tier 1 (common plus additional) capital ratio of 6%.
- A total capital ratio (including Tier 2) of 8%.
- An additional 2.5% capital conservation buffer.

With regard to the countercyclical capital buffer, established in article 45 of Law 10/2014, the Bank of Spain has agreed to set this buffer at 0% for credit exposures in Spain as of 1 January 2016.

For 2019, the European Central Bank has required for Unicaja Banco Group, within the framework of the aforementioned SREP, a minimum total capital ratio of 12.25% (phase-in). This requirement is applicable for 2019 and includes the minimum Pillar I requirement of 8%, a Pillar II requirement of 1.75% and a capital conservation buffer of 2.5%.

It should also be noted that for 2020, the European Central Bank has required a minimum total capital ratio of 12.25% (phase-in) for Unicaja Banco Group within the framework of the aforementioned SREP. This requirement is applicable for the financial year 2020 and includes the minimum required by Pillar I of 8%, a Pillar II requirement of 1.75% and a capital conservation buffer of 2.5%.

As a result of these requirements, the ratios of CET 1 phase-in and total phase-in capital mentioned above are also established as the minimum levels below which Unicaja Banco would be obliged to calculate the maximum distributable amount (MDA) that would limit its distributions in the form of dividends and variable remuneration.

Unicaja Banco Group's CET1 capital ratio as at 31 December 2019 was 15.42%, while the total capital ratio was 16.93% (both including retained earnings). Consequently, with the current levels of capital, Unicaja Banco Group has covered the capital requirements set by the European Central Bank and, therefore, has no limitations on the distributions of earnings referred to in Regulation (EU) No 575/2013.

As at 31 December 2019 and 2018, Unicaja Banco Group's own funds amounted to 3,891,674 thousand euros and 3,580,498 thousand euros, respectively, of which 3,544,100 thousand euros and 3,532,601 thousand euros, respectively, are included in Common Equity Tier 1 (CET1).

The total capital surplus, taking into account the own funds requirements under the EU Directive 2013/36 (CRD-IV) and EU Regulation 575/2013 (CRR) (Pillar 1), the additional requirements imposed on Unicaja Banco Group as a result of the SREP 2019 (Pillar 2), and the 2.5% capital conservation buffer, amounted to 1,076,313 thousand euros as at 31 December 2019.

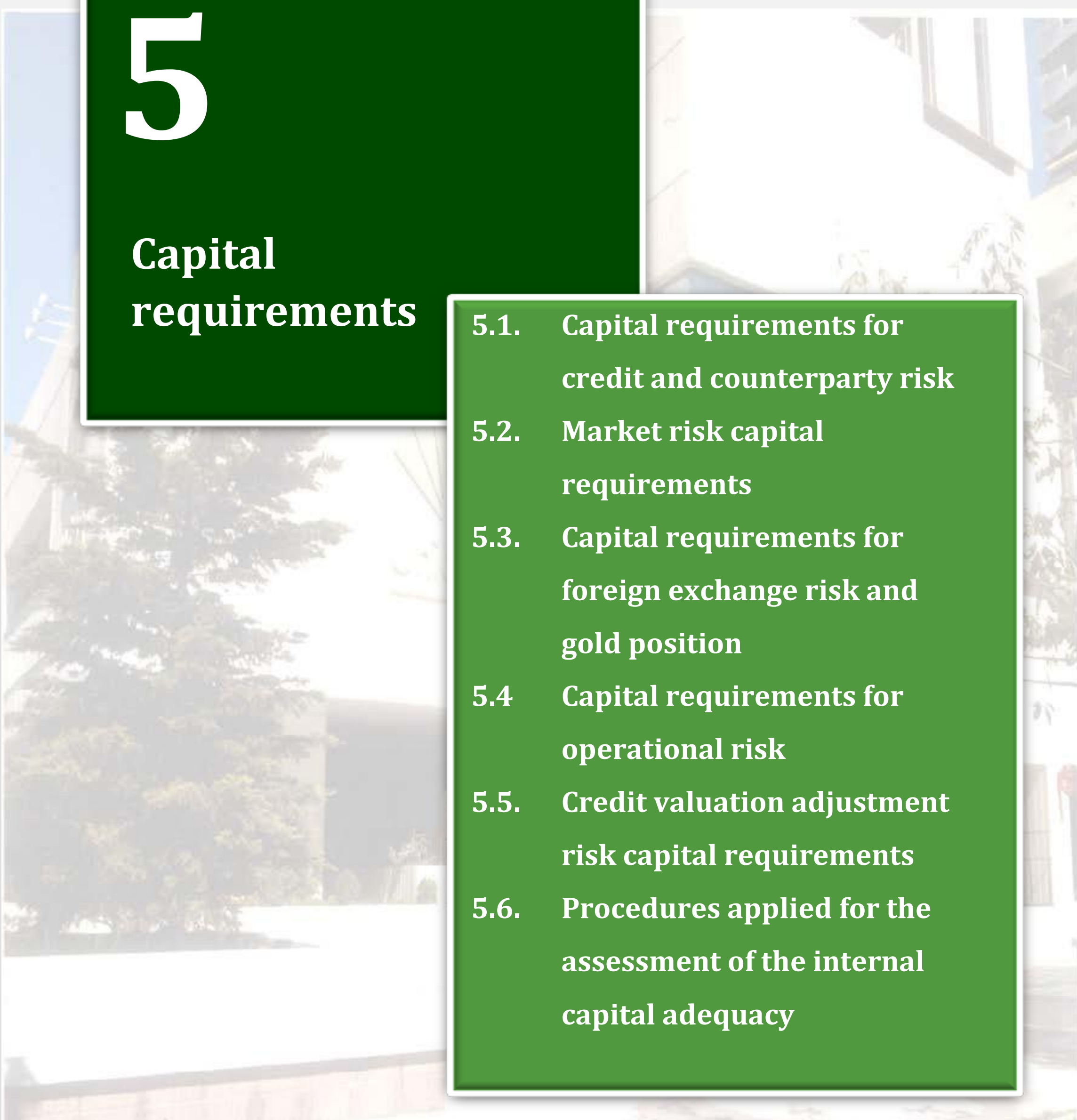
4.3 Reconciliation between net book equity and regulatory capital

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

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

Table 8: Reconciliation between net book equity and regulatory capital

Reconciliation between net book equity and eligible capital		
Millions of euros	**2019**	**2018**
Own funds	3,971	3,921
Other accumulated overall result	-1	-3
Minority interests	-	-
TOTAL EQUITY (Public Balance Sheet)	**3,970**	**3,918**
Difference between Public and Reserved Balance Sheets	-	-1
TOTAL EQUITY (Reserved Balance Sheet)	**3,970**	**3,917**
Ineligible minority interests	-	-
Ineligible earnigns during the year	-84	-68
Deductions	-483	-372
Transitional adjustments under IFRS 9	99	110
Tier 2 Capital	300	-
Other capital adjustments	91	-7
TOTAL ELIGIBLE CAPITAL	**3,892**	**3,580**



5

Capital requirements

5 CAPITAL REQUIREMENTS

The following table shows the amount of the capital requirements of Unicaja Banco Group, in accordance with Part Three of the CRR, for each of the types of risk, calculated as 8% of the risk-weighted assets, as of 31 December 2019.

Table 9: Own resources requirements

Own resources requirements	
Thousands of euros	**2019**
Credit Risk	1,701,298
Market Risk	1,593
Foreign exchange and gold position risk	-
Operational Risk	129,740
Credit valuation adjustment risk	5,972
TOTAL REQUIREMENTS PILLAR I	**1,838,603**

5.1 Capital requirements for credit and counterparty risk

Regulation 575/2013, Part Three, Title II defines the capital requirements for credit and counterparty risk. The following table shows the amount of the capital requirements of Unicaja Banco Group for credit risk at 31 December 2019, calculated for each of the categories to which the standard method has been applied.

Table 10: Capital requirements for credit and counterparty risk

Credit Risk Categories	(thousands of euros)
Central goverments or Central Banks	-
Regional or local authorities	-
Public sector entities	31,558
Multilateral Development Banks	-
International Organizations	-
Entities	74,894
Companies	329,018
Retail exposures	270,714
Exposures secured by Real Estate	424,643
Exposures in default	70,513
Items assoc. with particularly high risk	46,962
Covered-bonds	1,259
Exposures to institutions and corporates with a short term credit rating	-
Investments in collective investment institutions	1,192
Equity instruments	119,917
Others	323,988
Securitisation positions	6,640
TOTAL CREDIT RISK REQUIREMENTS	**1,701,298**

The requirements for counterparty risk have also been calculated using the standard method.

5.2 Market risk capital requirements

The Regulation (EU) No 575/2013, Part Three, Title IV defines the capital requirements for market risk.

Below are the market risk requirements for the positions held in Unicaja Banco Group's trading portfolio as at 31 December 2019, using the standard method (Article 326 et seq. of the EU Regulation).

Table 11: Market risk capital requirements

Thousands of euros	RWAs	Requirements
Direct Products		
General risk in debt instrument positions	674	54
Specific risk in debt instrument positions	-	-
Risk in equity instrument positions	19,234	1,539
Currency risk	-	-
Commodity risk	-	-
Liquidation risk	-	-
Options		
Simplified Method	-	-
Delta-Plus method	-	-
Scenario-based approach	-	-
Securitisation	**-**	**-**

There is no requirement to exceed the large risk limits as this does not occur.

5.3 Capital requirements for foreign exchange risk and gold position

As the capital requirement for foreign exchange risk and for the gold position is not more than 2% of the eligible own funds, it is considered to be zero (Article 351 of the EU Regulation).

5.4 Capital requirements for operational risk

The capital requirements as at 31 December 2019 for operational risk were calculated using the standard method and amount to **EUR 129,740 thousand**.

5.5 Credit valuation adjustment risk capital requirements

A credit valuation adjustment is an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty.

This adjustment shall reflect the current market value of the counterparty's credit risk to the institution, but shall not reflect the current market value of the institution's credit risk to the counterparty (Article 381 of the CRR).

The amount of Unicaja Banco Group's requirements as at 31 December 2019 for counterparty risk, using the standard method, is **5,972 thousand euros.**

5.6 Procedures applied for the assessment of the internal capital adequacy

In accordance with Chapter 2, Section 1 of Directive 2013/36/EU (CRD IV), Unicaja Banco Group assesses the adequacy of its internal capital in accordance with the supervisory expectation and published EBA guidelines and recommendations, through the Internal Capital Adequacy Assessment Process (ICAAP). As part of this process, Unicaja Banco Group carries out a series of procedures for measuring internal capital requirements which, in addition to maintaining the minimum regulatory capital, enable it to define and maintain an adequate level of own funds.

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

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

Objective internal methodologies specific to each risk are used to determine the materiality of the risks, based on quantitative analyses and relying as much as possible on the methodologies used by the authorities and on stress exercises.

The level of risk measured is compared with a materiality threshold established for all risks and linked to potential impacts on results or solvency.

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

To carry out this quantification and allocation of capital, the Entity uses objective internal methodologies that are specific to each material risk and consistent with the methodologies used in the assessment of material risks. In addition, for the allocation of internal capital for Pillar I risks, an allocation floor is set that corresponds to the minimum regulatory capital.

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

The internal capital available to Unicaja Banco Group to cover capital requirements for material risks is made up of the capital instruments (CET1, AT1 and T2) defined in accordance with Title One of Part Two of Regulation (EU) 575/2013, thus guaranteeing their quality and sufficiency.

6

Information on credit and dilution risks

6 INFORMATION ON CREDIT AND DILUTION RISKS

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

The concepts of non-performing and impaired positions referred to in this document are based on IFRSs (International Financial Reporting Standards).

Note 2.7 to the consolidated financial statements of Unicaja Banco Group for 2019 includes information on "Impairment of financial assets".

Note 10.2 provides details of the financial assets classified as loans and receivables and considered to be impaired due to their credit risk. In addition, note 10.5 provides details of those transactions not considered to be impaired but which are past due at that date, classified by counterparty, and by the time elapsed since the earliest maturity of the unpaid amount at those dates for each transaction.

In turn, note 10.6 provides details of the changes in credit risk coverage.

6.2 Credit and counterparty risk exposure

The total value of Unicaja Banco Group's credit risk exposures at 31 December 2019, after the adjustments indicated in Article 111 of the Regulation and the corresponding value corrections due to asset impairment, if any, amounts to 56,154,931 thousand euros (including securitisation positions) without considering the effects of credit risk reduction.

The following table shows the value of the exposure, at 31 December 2019, together with the average value of that credit risk exposure, to which the standard method has been applied to estimate its own funds requirements for credit and dilution risk.

Table 12: Average and total net exposure

Credit Risk Categories (thousands of euros)	End-of period exposure	Average period exposure
Central Governments or Central Banks	19,372,457	17,490,579
Regional or local authorities	1,347,841	1,587,635
Public sector bodies	1,009,566	973,069
Multilateral Development Banks	-	-
International Organizations	-	-
Entities	2,196,973	2,481,040
Companies	4,231,571	4,402,572
Of which: SMEs	1,511,169	1,751,078
Retail exposures	4,924,463	4,961,671
Of which: SMEs	1,746,464	1,699,654
Exposures secured by Real Estate	14,971,177	15,194,731
Of which: SMEs	712,034	689,453
Exposures in default	844,297	1,016,064
Items assoc. with particularly high risks	391,352	255,714
Guaranteed bonds	134,752	145,238
Exposures to institutions and corporates with a short-term credit rating	-	-
Investments in collective investment institutions	14,899	8,166
Equity instruments	1,073,457	1,023,057
Others	4,157,867	4,827,232
Securitisation positions	269,670	318,457
Total	**54,940,342**	**54,685,224**

On the other hand, Article 291 of the CRR determines that there is wrong-way risk when the likelihood of default by counterparties is positively correlated with general market risk factors. The specific wrong-way risk arises if future exposure to a specific counterparty is expected to be high when the counterparty's probability of default is also high.

At 31 December 2019, the risk of these effects is minimal as there is no relevant exposure in this regard.

6.3 Exposure by counterpary and geographical area

The following is a detail, by geographical area, of Unicaja Banco Group's credit risk exposure at 31 December 2019

Table 13: Credit risk exposure by geographical area

Geographical Area	Amount of exposure (thousands of euros)
Spain	47,835,371
Rest of EU	6,845,276
Rest of the world	259,694
Total Exposure	**54,940,342**

6.4 Residual maturity of exposures

The following table shows the distribution by residual maturity of Unicaja Banco Group's exposure to credit risk as at 31 December 2019, of that exposure to which the standard method has been applied, including securitisation positions, for the calculation of own funds requirements.

Table 14: Residual maturity of credit risk exposure (million euros)

Exposure categories in the standard method including securitisation positions	At sight	Up to 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	Total
Central Governments or Central Banks	-	913	7	5,657	12,796	**19,372**
Regional or local authorities	-	43	236	219	849	**1,348**
Public sector bodies	-	17	69	275	649	**1,010**
Multilateral Development Banks	-	-	-	-	-	**-**
International Organizations	-	-	-	-	-	**-**
Entities	-	713	44	1,228	211	**2,197**
Companies	-	250	454	1,527	2,000	**4,232**
Retail exposures	-	193	711	963	3,057	**4,924**
Exposures secured by Real Estate	-	5	25	578	14,363	**14,971**
Exposures in default	32	3	14	98	697	**844**
Items assoc. with particularly high risk	7	-	9	117	258	**391**
Guaranteed bonds	-	-	124	10	-	**135**
Exposures to institutions and corporate with a short-term credit rating	-	-	-	-	-	**-**
Investments in collective investment institutions	-	-	-	-	15	**15**
Equity instruments	-	-	-	-	1,073	**1,073**
Others	-	-	4	18	4,136	**4,158**
Securitisation positions	-	-	-	217	53	**270**
Total Exposure as of 31 December 2019	**39**	**2,139**	**1,696**	**10,907**	**40,158**	**54,940**

6.5 Geographical and counterparty distribution of impaired positions

The following table details the gross carrying amount as at 31 December 2019 of non-performing and performing exposures and the related accumulated impairment, provisions, accumulated changes in fair value due to credit risk, accumulated partial defaults and collateral and financial guarantees received, in accordance with the scope of prudential consolidation under Part One, Title II, Chapter 2 of the CRR.

Table 15: Non-performing and performing exposures and accumulated impairment

	Gross book amount/nominal amount						Cumulative impairment, cumulative negative changes in fair value due to credit risk and provisions						Accumulated partial write-offs	Security and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - - Impairment and provisions			Non-performing Exposures - Cumulative Impairment, Cumulative Negative Changes in Fair Value due to Credit Risk and Provisions				Over performing exposures	Over non-performing exposures
		Of which in phase 1	Of which in phase 2		Of which in phase 2	Of which in phase 3		Of which in phase 1	Of which in phase 2		Of which in phase 2	Of which in phase 3			
Loans and advances	31,545,710			1,371,642			-143,394			-607,113			-151,407	18,397,489	564,973
Central banks	*3,996,389*			-			-			-			-	-	-
Public governments	*1,727,042*			*13,661*			*-69*			*-7,552*			-	-	5,182
Credit institutions	*598,179*			*9*			-			*-8*			-	-	-
Other financial companies	*1,338,893*			*3,157*			-			*-3,157*			-	-	-
Non-financial companies	*5,252,618*			*427,170*			*-69,223*			*-273,632*			*-108,767*	*1,700,482*	103,426
Of which SMEs	*2,696,541*			*374,076*			*-37,434*			*-152,999*			-	*1,441,722*	*39,409*
Households	18,632,589			927,645			-74,102			-322,764			-40,676	15,869,204	456,365
Debt securities	16,663,308			19,833			-1,153			-19,833			-	-	-
Central banks	-			-			-			-			-	-	-
Public governments	*12,523,638*			-			-			-			-	-	-
Credit institutions	*1,179,081*			*19,833*			-			*-19,833*			-	-	-
Other financial companies	*2,826,224*			-			-			-			-	-	-
Non-financial companies	*134,365*			-			*-1,153*			-			-	-	-
Off-balance sheet exposures	*4,841,499*			*229,636*			*15,736*			*112,509*				-	*1,134*
Central banks	*0*			-			-			-				-	-
Public governments	*237,438*			*223*			-			-				-	-
Credit institutions	*15,736*			*219*			-			-				-	-
Other financial companies	*666,040*			-			*1*			-				-	-
Non-financial companies	*2,950,547*			*223,693*			*14,712*			*110,049*				-	*146*
Households	*971,738*			*5,501*			*1,023*			*2,460*				-	*324*
Total	**53,050,517**			**1,621,111**			**-128,811**			**-514,437**			**-151,407**	**-**	**566,107**

Table 16: Impaired exposures and general and specific credit risk adjustments by counterparty (millions of euros)

GROSS EXPOSURE	Non-performing exposures	Adjustments for accumulated credit risk	Credit risk adjustment for the period
Credit to Public Administrations	**14**	**8**	**0**
Credit to the Private Sector	**1,337**	**712**	**12**
Companies	**502**	**348**	4
Real estate development and construction	102	99	2
SMEs and freelancers	377	215	**2**
Other companies	24	34	0
Individuals	**835**	**364**	8
Mortgage guarantee	515	143	**1**
Rest	321	221	**7**
Temporary acquisitions and unclassified risk	**-**	**10**	0
TOTAL 31.12.2019	**1,351**	**729**	**12**
Individually determined		110	*8*
Collectively determined		619	*4*

As of 31 December 2019, there are no generic provisions.

The value of the impaired exposures and of those in default as at 31 December 2019, broken down by significant geographical areas, and the provisions for contingent liabilities and commitments recognised, are shown in the following table.

Table 17: Impaired and Default Exposures and their Provisions by Geographical Area (thousands of euros)

Geographical Region (thousands of euros)	Non-performing exposures		Impairment provisions	
		of which > 90 days of default	Individual	Collective
Spain	1,333,473	860,056	103,928	615,029
Rest of EU	14,961	11,624	6,018	2,825
Rest of the World	2,139	1,597	2	905
Total	**1,350,573**	**873,276**	**109,948**	**618,759**

6.6 Forborne exposures

The gross carrying amount of the forborne exposures and the related accumulated impairment, provisions, accumulated changes in fair value due to credit risk, and collateral and financial guarantees received are presented below as at 31 December 2019, in accordance with the scope of prudential consolidation under Part One, Title II, Chapter 2 of the CRR. This information can be found in detail in note 10.4 of the report.

Table 18: Credit quality of forborneexposures

	Gross book amount/nominal amount of forborne exposures				Cumulative impairment, negative cumulative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on restructured or funded exposures	
	Performing forbearances	Non-performing forbearances			On performing forborne exposures	On non-performing forborne exposures		Of which: collateral and financial guarantees received on non-performing forborne exposures
			Of which: in default situation	Of which: with impairment				
Loans and advances	498,013	769,028	767,546	769,028	- 69,972	- 380,983	419,138	306,875
Central banks	-	-	-	-	-	-	-	-
Public administrations	*18,791*	*448*	*448*	*448*	- *69*	-	*214*	-
Credit institutions	-	-	-	-	-	-	-	-
Other financial companies	*46*	*2,493*	*2,493*	*2,493*	-	- *1,949*	-	-
Non-financial companies	*259,341*	*281,997*	*280,528*	*281,997*	- *29,052*	- *187,030*	*172,499*	*69,417*
Households	*219,835*	*484,090*	*484,077*	*484,090*	- *40,851*	- *191,770*	*246,425*	*237,458*
Debt securities	-	-	-	-	-	-	-	-
Loan commitments granted	4,614	2,149	2,149	2,149	96	334	2,828	-
Total	**502,627**	**771,177**	**769,695**	**771,177**	**-69,876**	**-380,649**	**421,966**	**306,875**

6.7 Changes in 2019 in impairment losses and provisions for risk and contingent commitments for credit risk

The variations that have taken place during the year 2019 in the impairment losses due to credit risk accounted for by Unicaja Banco Group and in the provisions for risks and contingent commitments due to credit risk are in accordance with the provisions of the IFRS, both in the type of losses and provisions made, and in the methodology applied for their calculation.

The detail of the changes made in 2019 to the value adjustments for impairment of assets and to the provisions for contingent risks and commitments due to credit risk is included in notes 10.6 and 18 to the consolidated financial statements of Unicaja Banco Group for 2019.

Also, note 27 to the consolidated financial statements for 2019 of Unicaja Banco Group shows the changes in 2019 in Unicaja Banco Group's impaired financial assets that are not recognised on the balance sheet because their recovery is considered to be remote, even though the actions to achieve recovery of the amounts due have not been discontinued.

Unicaja Group continues with its effective strategy to reduce non-performing assets, carrying out various sales of non-performing portfolios (307 million in total) throughout the year 2019, placing their the balance at 1,351 million euros at the end of the year, representing a reduction of 29.9% over those existing at the end of the previous year (-575 million euros) and which translates into an improvement in the NPL rate which is now below 5%.

The gross carrying amount of non-performing and performing exposures as at 31 December 2019 is presented below in accordance with the scope of prudential consolidation as set out in Part One, Title II, Chapter 2 of the CRR:

Table 19: Credit quality of non-performing and performing exposures by number of days past due

	Gross book amount/nominal amount											
	Performing exposures			Non-performing exposures								
		Not due or expired ≤ 30 days	Expired > 30 days ≤ 90 days		Unlikely payment not due or expired ≤ 90 days	Expired > 90 days ≤ 180 days	Expired > 180 days ≤ 1 year	Expired > 1 year ≤ 2 years	Expired > 2 years ≤ 5 years	Expired > 5 years ≤ 7 years	Expired > 7 years	Of which: in default situation
Loans and advances	31,545,710	31,342,833	202,877	1,371,642	511,720	121,732	101,656	127,476	209,725	147,288	152,046	1,027,777
Central banks	3,996,389	3,996,389	-	-	-	...-	...-	...-	...-	-	-	-
Public administrations	1,727,042	1,727,042	-	13,661	495	...-	...-	...-	...-	-	-	13,172
Credit institutions	598,179	598,179	-	9	-	...-	...-	...-	...-	-	-	9
Other financial companies	1,338,893	1,338,893	-	3,157	-	...-	...-	...-	...-	-	-	3,157
Non-financial companies	5,252,618	5,240,786	11,832	427,170	203,577	50,081	15,830	33,570	49,242	28,487	46,383	280,528
Of which: SMEs	2,696,541	2,685,155	11,386	374,076	202,792	15,933	15,292	30,773	37,325	26,381	45,580	243,743
Households	18,632,589	18,441,544	191,045	927,645	307,648	71,647	85,824	79,265	160,462	118,392	104,407	730,911
Debt securities	16,663,308	16,663,308	-	19,833	-	-	-	-	-	-	19,833	19,833
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	12,523,638	12,523,638	-	-	-	-	-	-	-	-	-	-
Credit institutions	1,179,081	1,179,081	-	19,833	-	-	-	-	-	-	19,833	19,833
Other financial companies	2,826,224	2,826,224	-	-	-	-	-	-	-	-	-	-
Non-financial companies	134,365	134,365	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	4,841,499			229,636								229,636
Central banks	-			-								-
Public administrations	237,438			223								223
Credit institutions	15,736			219								219
Other financial companies	666,040			-								-
Non-financial companies	2,950,547			223,693								223,693
Households	971,738			5,501								5,501
Total	**53,050,517**	**48,006,141**	**202,877**	**1,621,111**	**511,720**	**…**	**…**	**…**	**…**	**147,288**	**171,879**	**1,277,246**

6.8 Information on counterparty credit risk of Unicaja Banco Group

Counterparty risk, in accordance with Article 272 of Chapter 6 of the Regulation, is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

Below is a detail of Unicaja Banco Group's credit exposure to counterparty risk from its operations in derivatives as at 31 December 2019, estimated as the amount of Unicaja Banco Group's credit exposure from these financial instruments, net of the effect of the corresponding contractual netting agreements and the guarantees received from the counterparties to the operations.

Table 20: Counterparty risk exposure (derivatives)

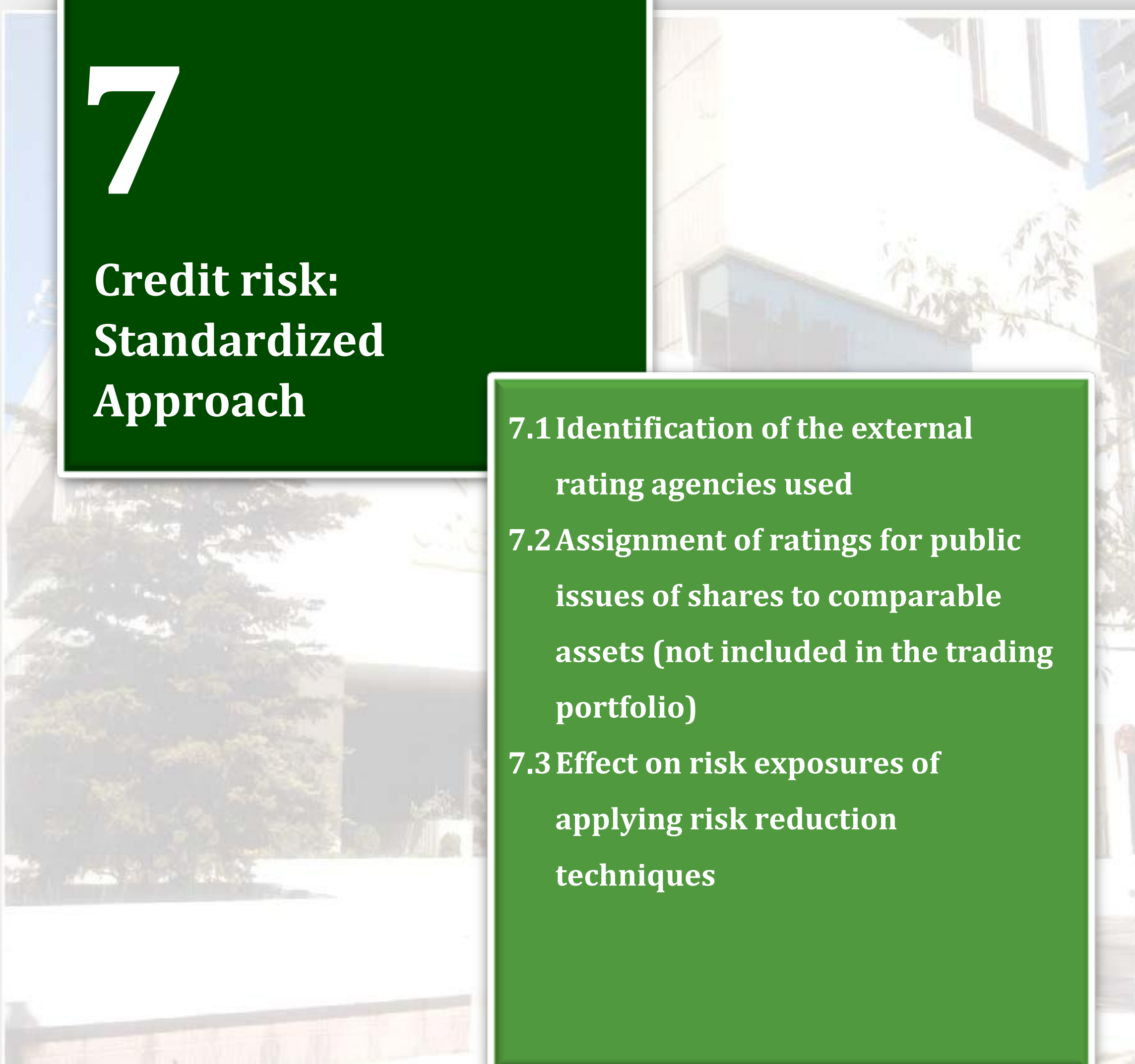
Counterparty Risk (Derivatives)	Thousands of euros
Positive fair value of contracts	**515,195**
Less: effect of netting agreements	-174,754
Credit exposure after offset	**340,441**
Less: effect of guarantees received	-225,669
Net exposure in Derivatives	**114,772**

Exposure to counterparty risk is measured by adding to the market value *(mark to market)* of the instrument an estimate of the potential future risk, which is the result of multiplying the nominal value of the transaction by a specific factor (add-on) depending on the type of instrument and its maturity. The collaterals provided by the partners mitigate the exposure.

In addition, information is presented on the instruments cancelled in exchange for the security right obtained by taking possession, and on the value of the security right obtained by taking possession at 31 December 2019:

Table 21: Security interests obtained through takeover and enforcement processes

	Security rights obtained by taking possession	
	Value at initial recognition	Negative cumulative changes
Tangible fixed assets	0	0
Other than those classified as property, plant and equipment	927,183	-374,426
Residential real estate	*400,050*	*-78,133*
Commercial real estate	*526,935*	*-296,114*
Personal property (cars, boats, etc.)	*198*	*-178*
Equity and debt instruments	*0*	*0*
Others	*0*	*0*
Total	**927,183**	**-374,426**



7

Credit risk: Standardized Approach

7.1 Identification of the external rating agencies used

7.2 Assignment of ratings for public issues of shares to comparable assets (not included in the trading portfolio)

7.3 Effect on risk exposures of applying risk reduction techniques

7 CREDIT RISK - STANDARDIZED APPROACH

7.1 Identification of the external rating agencies used

The external credit rating institutions (ECAIs) used, where appropriate, by Unicaja Banco Group to determine its risk weights applicable to its exposures are some of those designated by the European Central Bank. There have been no changes in the rating agencies used. The use of ratings for the calculation of capital consumption is not material.

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

7.2 Assignment of ratings for public issues of shares to to comparable assets (not included in the trading portfolio)

For the assignment of credit assessments, Unicaja Banco Group applies the rule defined in article 138 of the Regulation:

- Where only one credit assessment is available for a rated exposure, this shall be used to determine the risk weight.
- Where two credit assessments are available for a rated exposure and the two correspond to different risk weights, the higher risk weight shall be assigned.
- Where more than two credit assessments are available for a rated exposure, the two assessments generating the two lowest risk weights shall be used. In the event of a mismatch, the higher of the two shall be assigned.

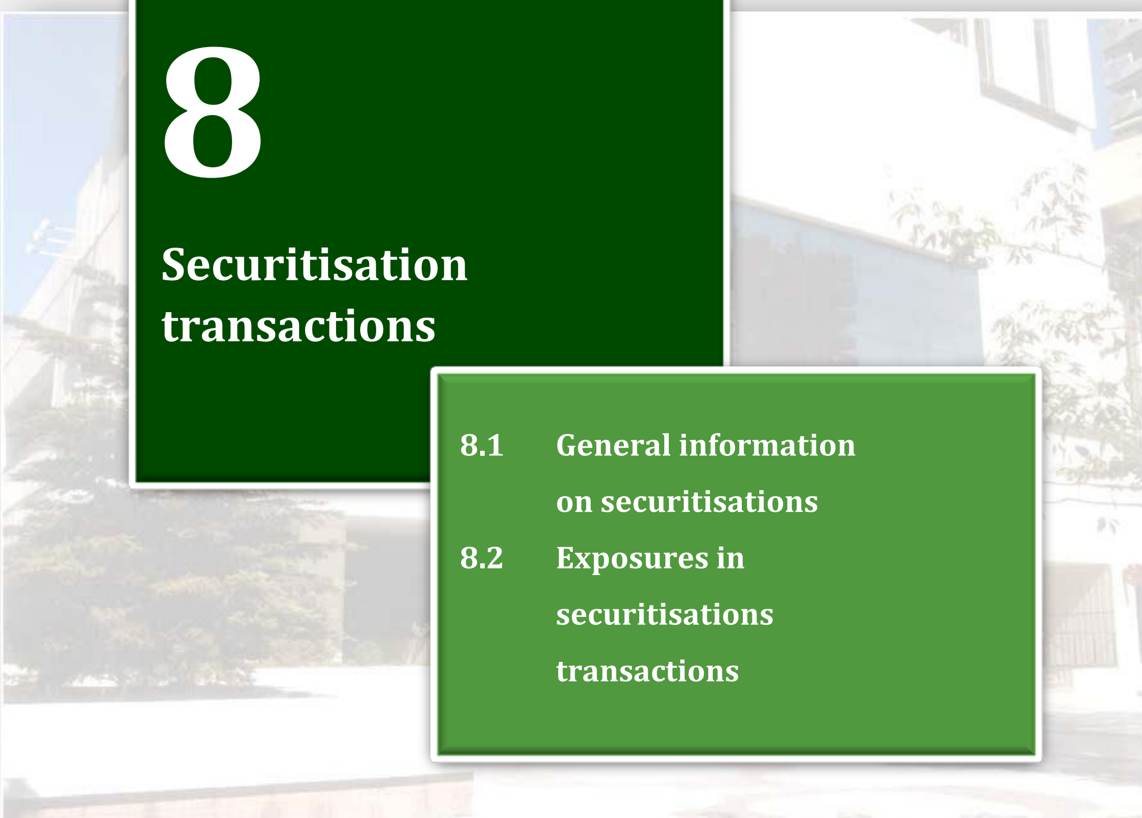
Unicaja Banco Group updates the additions or withdrawals of ratings that have taken place and the ratings are stored in an information repository generating an external rating history for each customer.

7.3 Effect on risk exposures of applying risk reduction techniques

Following is a detail of the Group's credit risk exposures as at 31 December 2019 to which the standardised approach was applied for their estimation, before and after applying the risk mitigation techniques (net exposure) permitted by the Regulation, broken down by category of exposure and by credit quality grades (measured by the percentage applied for the purposes of calculating the risk-weighted exposure value).

Table 22: Effect of the application of risk reduction techniques on credit risk exposures (million euros)

Credit risk categories		0%	2%	10%	20%	35%	50%	75%	100%	150%	Others	TOTAL
Central Administration or Central Banks	Exposure net correction and provision	16,848	-	-	-	-	-	-	-	-	-	16,848
	Fully adjusted value of exposure.	19,373	-	-	-	-	-	-	-	-	-	19,373
Regional or local authorities	Exposure net correction and provision	1,498	-	-	-	-	-	-	-	-	-	1,488
	Fully adjusted value of exposure.	1,498	-	-	-	-	-	-	-	-	-	1,498
Public sector bodies	Exposure net correction and provision	240	-	-	-	-	1,013	-	-	-	-	1,253
	Fully adjusted value of exposure.	240	-	-	-	-	1,002	-	-	-	-	1,242
Entities	Exposure net correction and provision	-	1,006	-	625	-	1,483	-	27	-	-	3,141
	Fully adjusted value of exposure.	-	8	-	623	-	1,600	-	27	-	-	2,258
Companies	Exposure net correction and provision	-	-	-	-	-	124	-	7,640	10	-	7,773
	Fully adjusted value of exposure.	-	-	-	-	-	124	-	5,226	10	-	5,360
Retail exposures	Exposure net correction and provision	-	-	-	-	-	-	6,168	-	-	-	6,168
	Fully adjusted value of exposure.	-	-	-	-	-	-	5,982	-	-	-	5,982
Exposures secured by Real Estate	Exposure net correction and provision	-	-	-	-	14,525	460	-	-	-	-	14,985
	Fully adjusted value of exposure.	-	-	-	-	14,525	460	-	-	-	-	14,985
Exposures in default	Exposure net correction and provision	-	-	-	-	-	-	-	840	76	-	916
	Fully adjusted value of exposure.	-	-	-	-	-	-	-	836	75	-	912
Items assoc. with particularly high risks	Exposure net correction and provision	-	-	-	-	-	-	-	-	517	-	517
	Fully adjusted value of exposure.	-	-	-	-	-	-	-	-	517	-	517
Guaranteed bonds	Exposure net correction and provision	-	-	112	23	-	-	-	-	-	-	135
	Fully adjusted value of exposure.	-	-	112	23	-	-	-		-	-	135
Collective investment undertakings	Exposure net correction and provision	-	-	-	-	-	-	-	15	-	-	15
	Fully adjusted value of exposure.	-	-	-	-	-	-	-	15	-	-	15
Equity instruments	Exposure net correction and provision	-	-	-	-	-	-	-	790	-	284	1,073
	Fully adjusted value of exposure.	-	-	-	-	-	-	-	790	-	284	1,073
Others	Exposure net correction and provision	457	-	-	-	-	-	-	3,478	-	232	4,167
	Fully adjusted value of exposure.	457	-	-	-	-	-	-	3,476	-	232	4,165
Securitisation positions	Exposure net correction and provision	-	-	-	173	-	97	-	250	-	-	520
	Fully adjusted value of exposure.	-	-	-	173	-	97	-	-	-	-	270



8 Securitisation transactions

8.1 General information on securitisations

8.2 Exposures in securitisations transactions

8 SECURITISATION TRANSACTIONS

8.1 General information on securitisations

As at 31 December 2019 there was no transfer of the group's financial assets through securitisation instruments. Nor is there any implicit commitment to support the securitisation programmes carried out by the institution.

The main role that the Group plays in the securitisation activity is as an investor through the acquisition of securitisation bonds issued by other entities. These investments also include positions in which the Bank itself is the originator of mortgage bonds.

Unicaja Banco Group has no securitisation exposure to the trading book or re-securitisation positions.

In addition, it does not have any assets pending securitisation.

- **Risks associated with the securitisation activity**

  The main risks associated with the securitisation activity, from the investment side, include the following: credit, liquidity, prepayment and base risks.

  With regard to the risk in terms of the priority of the securitisation positions, the securitisation bonds consist of certain tranches depending on their credit risk. In increasing order of credit quality, these are

  - First loss tranche
  - Intermediate risk tranche
  - Senior or preferred tranche

  As at 31 December 2019, 99.93% of Unicaja Banco Group's securitisation exposure was to senior tranches.

- **Description of the processes applied to monitor changes in credit and market risk of securitisation exposures.**

  Unicaja Banco Group regularly monitors the securitisations of which it has an outstanding position, using the market price, among other things, for this purpose. At 31 December 2019, 99.38% of securitisation exposure had a market value.

- **Description of the policy applied by the Entity regarding the use of personal guarantees and hedges to mitigate risks.**

  Unicaja Banco Group does not use personal guarantees or hedges specifically to mitigate the risks of retained securitisation exposures.

- **Types of SSPEs used by the Entity to securitise exposures to third parties.**

  Unicaja Banco Group has not been involved in any securitisation as a sponsor.

- **Description of the internal evaluation method.**

  Unicaja Banco Group does not use the internal evaluation method.

  Note 2.19 to the consolidated financial statements of Unicaja Banco Group describes the accounting policies relating to the transfer of assets.

8.2 Exposures in securitisation transactions

A detail of the type of positions held in these transactions by Unicaja Banco Group as at 31 December 2019, to which the treatment provided for in Article 251 of the Regulation is applied for the purposes of calculating credit risk exposures, is presented.

Table 23: Securitisation exposures

Type of Securitisation Positions	Amount of exposure (thousands of euros)
Positions retained in transactions in which the group acts **as originator**	216,767
Positions acquired in transactions where the group acts **as an investor**	302,780

In relation to the previous year, there is a reduction in exposure due to the amortization of securities.

The detail of the net positions after the substitution effects of the credit risk reduction held by Unicaja Banco Group as at 31 December 2019, broken down by the risk weighting bands to which they are assigned, is as follows

Table 24: Securitisation exposures by level of credit quality

Type of Securitisation Positions	Amount of exposure (thousands of euros)
Credit Quality Level 1 (weighted at 20%)	172,785
Credit Quality Level 2 (weighted at 50%)	96,885
Credit Quality Level 3 (weighted at 100%)	-
Credit Quality Level 4 (weighted at 350%)	-
Positions deducted from Own Funds	-
Total Positions Securitisation	**269,670**

9

Credit risk mitigation techniques

9 CREDIT RISK MITIGATION TECHNIQUES

9.1 General information

9.1.1 Policies and processes used to mitigate credit risk

In order to reduce exposure to credit risk and in compliance with Part Three, Title II, Chapter 4 of Regulation (EU) 575/2013 (CRR), Unicaja Banco accepts guarantees to support executed financial operations. Guarantees alone do not justify the assumption of risk, however, they need to be assessed in the light of possible contingencies.

In relation to guarantees, the following requirements are assessed:

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

- Pledging of money deposits, pledging of securities and other assets
- Mortgages on completed homes, offices, warehouses and multi-purpose premises and mortgages on rural properties (deducting, where applicable, any previous charges).
- Personal (guarantees, sureties, incorporation of guarantors, etc.), involving the direct and joint responsibility of the parties involved in the operation and who are persons or entities whose equity solvency is sufficiently proven to ensure the full repayment of the operation.

(a) The amount of the guarantees must fully cover the risk assumed under all headings, including interest. In the case of real estate guarantees, the institution adopts a prudent relationship (LTV) between the amount of the loan or credit (and its potential extensions) and the value of the guarantee. The value of the collateral shall be the mortgage value according to ECO 805/2003 or, in the event of subsequent valuation, a statistical update thereof.

(b) Commercial discounts generally involve the formalization of the corresponding coverage/counterguarantee policy.

9.1.2 Techniques applied and guarantees accepted

The main risk mitigation techniques applied, taking into account Section 2 of Chapter 4 of Title II of Part Three of the CRR, are the following:

- Hedging of credit risk with collateral (mainly mortgage) or similar instruments, e.g. cash deposits or fixed income issued by central government.
- Coverage of credit risk with personal guarantees.These guarantees are granted by solvent entities such as central governments and banks, regional governments, public sector entities.

Unicaja Banco as of 31 December 2019 has no credit derivatives.

In strict application of section three of Chapter 4 of the CRR, the above techniques are acceptable 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 enforcement of the warranty.
- Contracting insurance.

Unicaja Banco has an asset valuation policy for normal, special surveillance and non-performing exposures, using, depending on the type of property, automated value estimates or appraisals according to ECO 805/2003. In addition, this policy provides for the valuation of assets for normal exposures when a significant fall in their value is detected.

9.1.3 Types of guarantors and counterparty risk in credit derivatives

In relation to counterparty risk, Unicaja Banco Group, for the derivatives transactions and the management of real guarantees, operates with collateral agreements, which are valued daily.

These bilateral agreements are signed with the counterparts with whom the business is conducted on a bilateral basis and involve the deposit of cash as collateral. This deposit covers the net position of credit risk arising from derivatives operations. The transactions subject to the collateral agreement are valued on a daily basis, so that with such frequency an amount of collateral to be paid or received from the counterparty is obtained. Unicaja Banco carries out daily monitoring of the operations subject and the deposits made by the counterparties. The amount of the collateral is demanded if it is to be received, or, if not, the demand received from the counterparty is met.

Therefore, the correlation between guarantee and guarantor in the operation of derivatives, because the collateral received is cash, there is no material risk.

On the other hand, in view of the possibility of a downgrading of the credit rating of Unicaja Banco Group, the effect it could have on the collateral that the Group should provide is small, since the number of collateral agreements conditioned by the rating of the Bank is not very significant.

9.2 Quantitative information

The following detail shows the distribution of Unicaja Banco Group's credit risk exposure as at 31 December 2019, broken down according to whether or not credit risk mitigation techniques are applied and, if so, the mitigation technique applied. The exposure data refer to exposures prior to the application of applied risk reduction[1].

Table 25: Credit risk mitigation techniques

CR3: Credit Risk Mitigation Techniques					
Amount (thousands of euros)	**Non-guaranteed exposures - Carrying amount**	**Guaranteed exposures Book amount**	**Secured exposures**	**Exposures covered by financial guarantees**	**Exposures secured by credit derivatives**
Total exposures	42,798,916	16,199,092	14,984,503	1.214,589	-
Of which: in default situation	915,764	378,207	378,207	-	-

Personal Guarantees

The total value of the exposures as at 31 December 2019 that are covered by the application of risk mitigation techniques based on the use of personal guarantees is shown.

[1] *Security interests include transactions secured by debt securities, shares, collection rights and rights in rem on real estate acquired as a credit risk reduction technique.*

Table 26: Credit risk exposures covered by personal guarantees

Risk Category	Acceptable Personal Guarantees (thousands of euros)
Public sector bodies	10,487
Entities	-
Companies	2,377,388
Retailers	114,176
Exposures in default	893
Securitisation exposures	249,877

Real Guarantees

The following table shows the value of the exposures at 31 December 2019, covered by the application of risk mitigation techniques involving the use of collateral.

Table 27: Credit risk exposures covered by guarantees

Risk Category	Eligible Financial Guarantees (thousands of euros)
Regional or local authorities	210
Public sector bodies	1,051
Entities	1,100,205
Companies	36,295
Retailers	71,251
Exposures in default	3,169
Others	2,409

As mentioned above, among the techniques for mitigating counterparty risk, Unicaja Banco Group uses the framework contracts for clearing or netting[2] agreements.

In validating and monitoring the eligible collateral used to mitigate risk, the Bank has not identified any concentration, in relation to the counterparty, that would prevent these instruments from being effective.

Details of the methods used by Unicaja Banco Group to mitigate counterparty credit risk are included in note 27 to the consolidated annual accounts of Unicaja Banco Group for 2019.

[2] *Note 31.7 to the consolidated annual accounts contains further details of 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 purposes of calculating the own funds requirements associated with the trading portfolio, it should be noted that Unicaja Banco Group considers as such those positions in financial instruments that are held with the intention of trading or that serve as hedging for the elements of such portfolio.

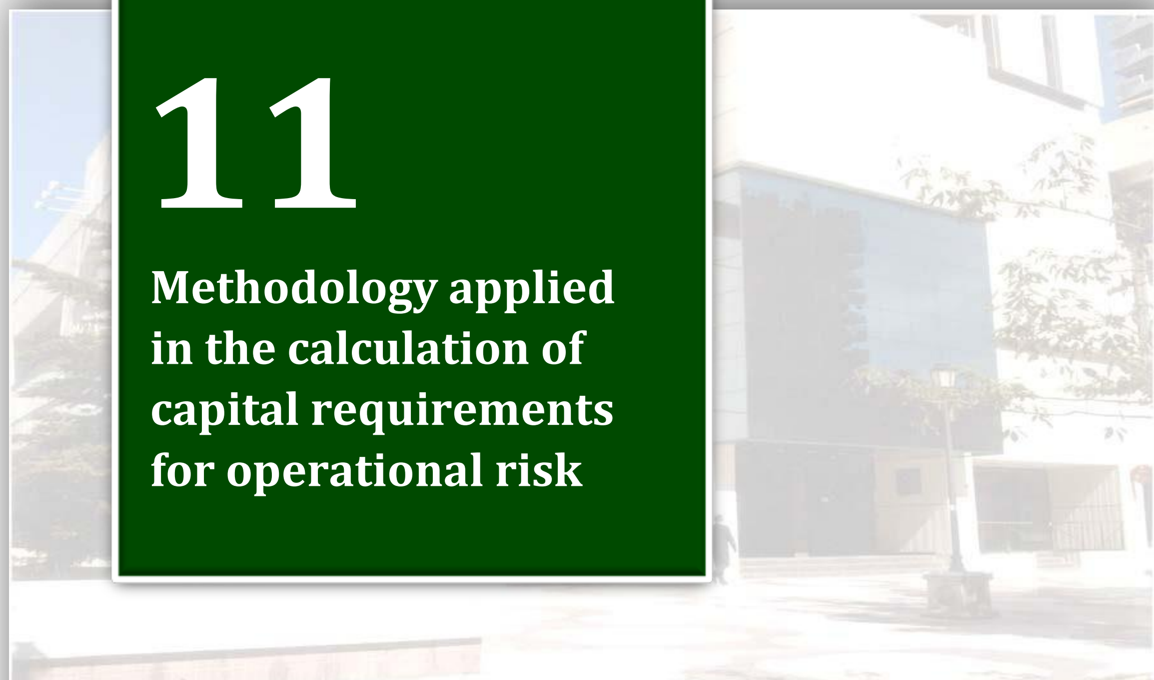
For the purposes of calculating Unicaja Banco Group's own funds requirements, the trading portfolio does not differ substantially from that defined in accordance with IFRS, with respect to debt securities and capital instruments.

The capital requirements for price risk associated with the trading portfolio at 31 December 2019 amounted to 1,593 euros thousand.

At 31 December 2019, there was no exposure to large risks exceeding the specified limits.

11

Methodology applied in the calculation of capital requirements for operational risk



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

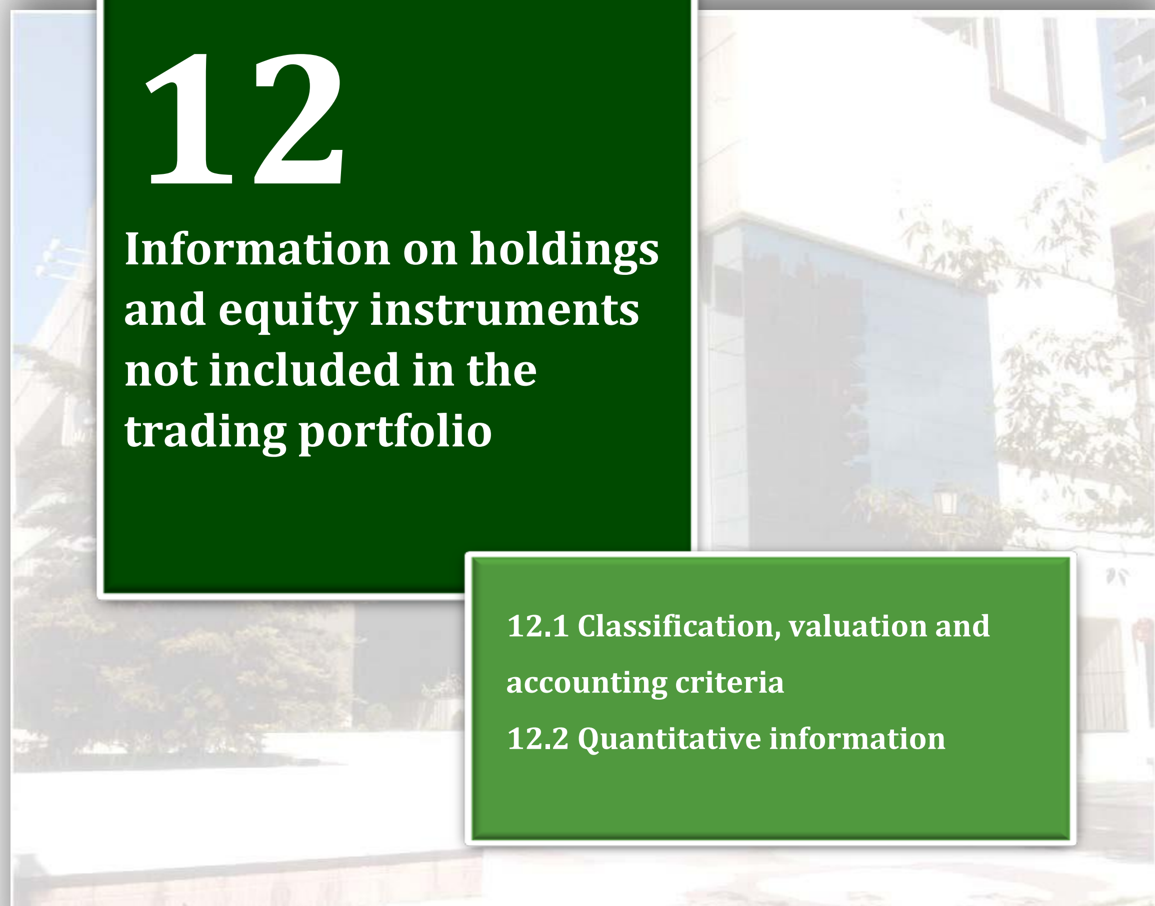
Unicaja Banco uses the standard method for calculating operational risk from 31 December 2017. In this respect, the articles 361-320 of the CRR are complied with in an exercise to adapt to regulatory requirements. Thus, during 2017 the internal management and control methodologies evolved with a view to changing the model, an action that has a favourable impact on own funds foroperational risk.

The calculation of own requirements was therefore moved from a 15% basis of the Relevant Indicator to a weighted distribution according to the business lines established by Article 317 of the CRR, where the weighting coefficient ranges from 12%-18%.

As at 31 December 2019, the operational risk requirements were **129,740 thousand euros.**

In order to identify, manage and control Operational Risk, Unicaja Banco has developed a double-optic model, based on a set of quantitative and qualitative tools, which complement each other to achieve effective identification and measurement of Operational Risk. This way:

- Quantitative management evaluates exposure to OR by measuring the consequences that have materialized in the historical operational losses of the Entity. From this perspective, the Entity has a Loss Database tool for OR, which records and quantifies the level of losses associated with Operational Risk events.
- Qualitative management seeks to identify, evaluate and anticipate the potential operational risks faced by each of the Entity's areas, in order to control and mitigate them should they materialize. For qualitative management, it uses self-assessment exercises and a system of risk indicators (KRIs) to measure the evolution of risk factors.



12

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

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

12.1 Classification, valuation and accounting criteria

Notes 1.12.2 and 2.2 to the consolidated financial statements for 2019 include a description of the portfolios into which the Group's holdings and equity instruments are classified, together with the accounting policies for recognition and measurement applied to each of them. These notes also indicate the models and assumptions applied in determining the value of the instruments included in each portfolio.

Investments and equity instruments not included in the trading portfolio are classified for accounting purposes as

- Financial assets at fair value through other comprehensive income
- Investments in joint ventures and associates

Regardless of its accounting classification, Unicaja Banco Group has defined criteria for the classification of holdings and capital instruments not included in the trading portfolio, in particular with regard to the permanence or stability of the investments.

12.2 Quantitative information

The carrying amount of the Group's investments at as 31 December 2019 was 999,438 thousand euros.

The carrying amount of equity instruments classified as financial assets with changes in other comprehensive income and investments is disclosed in the consolidated balance sheet.

The following is a detail of the Group's exposure to holdings and equity instruments as at 31 December 2019, excluding the exposure to instruments forming part of the trading portfolio, as defined for the purposes of own funds requirements.

Table 28: Exposures to equity investments not included in the trading portfolio

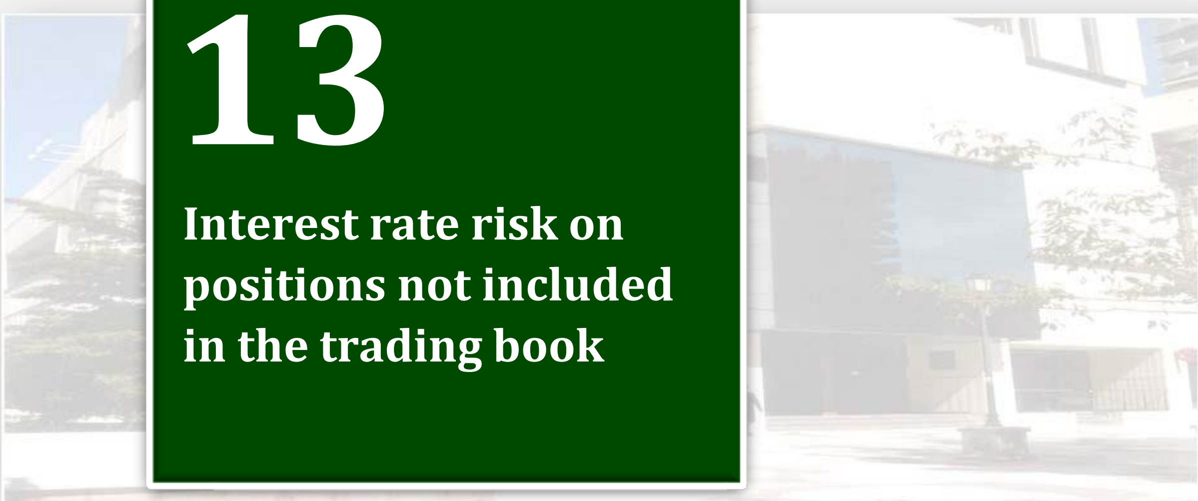
Holdings	Exposure (thousands of euros)
Holdings listed on Organized Markets	316,289
Holdings not listed in Organized Markets	683,149
Total	**999,438**

As at 31 December 2019, there were no significant differences between the market value and the carrying amount of the listed portfolio.

Note 9.4 to the consolidated financial statements of Unicaja Banco Group details the result of the change in the fair value of the financial assets at fair value with changes in other comprehensive income in 2019.

Note 9.1 to the Group's consolidated financial statements details the most significant changes in this portfolio in 2019, indicating the amount of profit or loss generated.

Also, note 12.1 to the consolidated financial statements of Unicaja Banco Group details the result of the change in fair value from investments in joint ventures and associates that are accounted for using the equity method. The unrealised gains, net of tax, on investments in equity instruments classified at fair value with changes in other comprehensive income recognised in the equity of Unicaja Banco Group amounted to 16,376 thousand euros.



13

Interest rate risk on positions not included in the trading book

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

IRRBB is defined as the current or future risk to both the results and the economic value of the Entity arising from adverse fluctuations in interest rates affecting interest rate-sensitive instruments.

Interest rate risk management is carried out in an integrated manner by the Assets and Liabilities Committee (ALCO). This committee is responsible for implementing procedures to ensure that Unicaja Banco Group complies at all times with the interest rate risk control and management policies set by the Board of Directors.

Excessive IRRBB may threaten the bank's current capital base and/or future earnings if not properly managed. Changes in interest rates can affect the underlying economic value of the bank's assets, liabilities and off-balance sheet instruments because the present value of future cash flows (and in many cases, the amount of cash flows themselves) varies with these movements. Changes in interest rates also affect the bank's earnings by increasing or decreasing its net interest income (NII) and the level of other interest-sensitive operating income and expenses.

Unicaja Banco considers all the sources, or sub-components, that originate the IRRBB, which are

- **Gap risk:** risk associated with instruments that are sensitive to the time structure of interest rates, arising from differences in the time at which their rates are repriced. It covers changes in the time structure of interest rates that occur either consistently along the rate curve (parallel risk) or differently depending on the term (non-parallel risk).
- **Basis risk:** describes the impact of relative interest rate changes on interest rate-sensitive instruments that have similar maturities but whose repricing is determined using different rate indices. The basis risk arises from the imperfect correlation in the adjustment of the rates charged and paid on different interest rate-sensitive instruments, which are similar to the other repricing characteristics.
- **Optionality risk:** risk resulting from options (implicit and explicit), in which the Entity or its customer may alter the level and timing of its cash flows. It comprises both the risk to interest rates where the holder will almost certainly exercise the option if it is in his financial interest to do so (automatic options, whether implicit or explicit), and the risk arising from the flexibility built in implicitly or within the terms of interest rate-sensitive instruments, whereby changes in interest rates can modify customer behaviour (implicit behavioural option risk).

Unicaja Banco analyses the materiality of the different sub-components of IRRBB and allocates capital to them in accordance with the IRRBB Capital Adequacy Manual. The monitoring of the different sub-components is carried out according to their materiality.

The Entity has established management and control indicators to ascertain the evolution of the IRRBB, as well as criteria for measuring and monitoring limits and alerts on a recurring basis, so as to continuously monitor the risk assumed, both in terms of the exceeded limits and any corrective measures that may be established.

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

- Risk measurement and analysis are carried out on an ongoing basis.
- An analysis is made of the effects that variations in interest rates in the various currencies in which significant exposures are held could have on the results of Unicaja Banco Group and on the various margins of the profit and loss account.
- The analyses include all those positions that are sensitive to interest rate risk, including interest rate derivatives, both implicit and explicit, and excluding the positions that form part of the trading portfolio, as defined in previous sections.
- For the purposes of analysing the maturity of the transactions, although in general the contractual maturity of the transactions is considered, there are transactions in which other types of assumptions regarding maturity are considered, either because these exposures do not have certain maturity dates or because they show stable behaviour or early repayments before maturity that differ significantly from their contractual conditions.

The effects (both in economic value and in net interest income at different time intervals) of parallel and non-parallel interest rate movements are analyzed based on the scenarios defined by the current regulations on IRRBB.

Based on the above analyses, Unicaja Banco Group adopts the necessary measures to ensure optimum management of this risk.

Note 28 to the consolidated financial statements of Unicaja Banco Group for 2019 includes information on its level of exposure in equity and profit and loss account, for the purposes of future reasonable changes in the level of prevailing interest rates, considering the effects of hedging activities, analysing the result of a 100 basis point increase and decrease in interest rates, as well as certain information on interest rate sensitivity and the criteria used to prepare such information, with all the relevant assumptions made.

14

Leverage ratio

14 LEVERAGE RATIO

The information required in the qualitative information template "LRQua", set out in Annex I of the Implementing Regulation (EU) No. 2016/200 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No. 575/2013 of the European Parliament and of the Council, is detailed below.

Table 29: LRQUA: Free format text boxes for disclosure on qualitative items

Row		
1	**Description of the processes used to manage the risk of excessive leverage**	According to Regulation (EU) No. 575/2013, Part Seven, Article 429 (in October 2014 the European Commission amended the CRR to adopt a new form of calculation), the leverage ratio is calculated as the Entity's Tier 1 capital divided by the Entity's total exposure and expressed as a percentage. This ratio relates the Group's assets (without weighting either collateralized derivatives or assets deducted from own funds for solvency purposes) plus off-balance-sheet risks (with weighting) to its Tier 1 capital at the reference date. The control of excessive leverage risk is carried out, in Unicaja Banco Group, by monitoring the leverage ratio at the highest level. Unicaja Banco Group has incorporated the leverage ratio into its risk management. This ratio forms part of the set of indicators integrated in its Risk Appetite Framework, setting objectives and limits, the evolution of which is monitored by Senior Management and Governing Bodies. In this way, it is guaranteed that the ratio is well above the minimum regulatory levels required.
2	**Description of factors that had an impact on the leverage ratio during the period to which the disclose leverage ratio refers**	As at 31 December 2019, the leverage ratio of Unicaja Banco Group stood at 6.43%, an increase of 17 basis points over the previous year and stable over the period. This evolution is due, on the one hand, to the 11,175 thousand euros increase in the Tier 1 capital and, on the other hand, to the 1,314,034 thousand euros decrease in the leverage exposures, as a result of the movements in balance sheet items in accordance with the Group activity. All of the above can be checked in the notes to the consolidated annual accounts and in the quarterly results presentations available on the Group’s corporate website.

Table 30: LRCom table. Leverage Ratio Common Disclosure Table

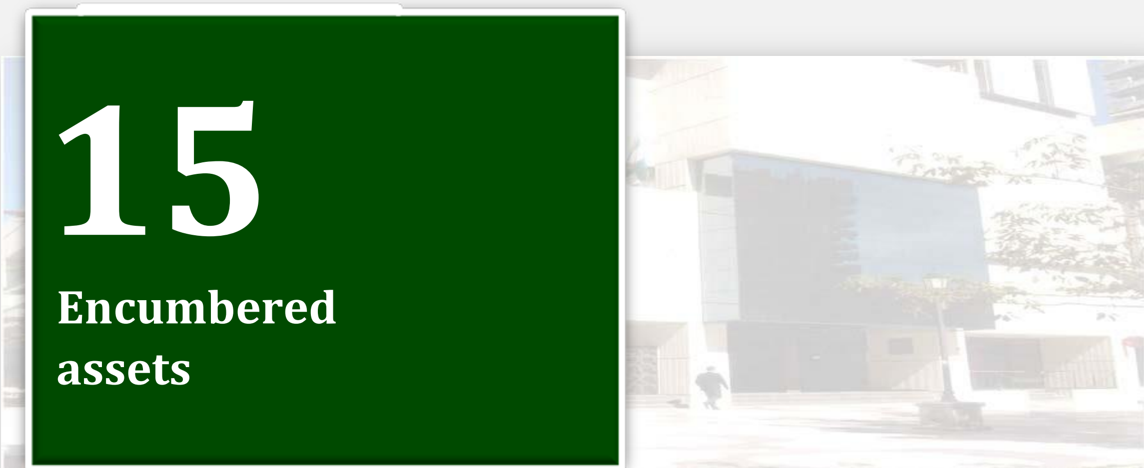
thousands of euros	Exposures corresponding to the CRR leverage ratio	
	On-balance sheet items (excluding derivatives, SFTs)	
1	On-balance-sheet items (excluding derivatives, securities lending and repurchase agreements, but including collateral)	53,740,304
2	Assets amounts deducted in determiningTier 1 capital	-400,167
3	Total on-balance sheet exposures (excluding derivatives and SFTs) (Sum of lines 1 and 2)	53,340,137
	Exposure to derivatives	
4	Replacement cost associated with derivative transactions	11,172
5	Add-on amounts for PFE (Potential Future Exposure) associated with derivative transactions (mark-to-market method)	103,600
EU-5a	Exposures determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivatives exposures (sum of lines 4, 5, EU-5a, 6, 7, 8, 9 and 10)	114,772
	SFTs exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	1,112,946
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposures for SFT assets	2,348
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12, 13, 14, EU-14a, 15 and EU-15a)	1,115,294
	Off-balance sheet exposures	
17	Off-balance sheet exposures at gross notional amount	4,039,604
18	(Adjustments for conversion to credit equivalent amounts)	-2,765,684
19	Off-balance sheet exposures (sum of lines 17 and 18)	1,273,920
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)	
EU-19a	Intra-group exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet)	-
EU-19b	Exposures exempted in accordance with Article 429(14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	-
	Capital and Total Exposure Measure	
20	Tier I Capital	3,591,674
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	55,844,123
	Leverage ratio	
22	Leverage ratio	6.43%
	Choice on transitional arrangements and amount of derecognized fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amont of derecognized fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	-

Table 31: Table LRSpl - Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	thousands of euros	Exposure value corresponding to the leverage ratio: exposures under the standardised approach (010)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which	53,740,304
EU-2	Trading book exposures	9,617
EU-3	Banking book exposures, of which:	53,730,686
EU-4	Covered bonds	134,752
EU-5	Exposures treated as sovereign	18,374,410
EU-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	627,199
EU-7	Institutions	1,800,130
EU-8	Secured by mortgages of immovable properties	14,958,886
EU-9	Retail exposures	4,945,147
EU-10	Corporate	6,020,728
EU-11	Exposures in default	822,597
EU-12	Other exposures (e.g. equity and other assets other non-credit obligation assets)	6,046,837

Table 32: Table LRSum. Summary of reconciliation of accounting assets and leverage ratio exposures

	thousands of euros	Exposure value corresponding to the leverage ratio: exposures under the standardised approach (010)
1	Total assets as per published financial statements	56,707,615
2	Adjustment for entities that are consolidated for accounting purposes, but are outside the scope of regulatory consolidation	-707,731
3	(Adjustment for fiduciary assets recognised 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)	-
4	Adjustments for derivative financial instruments	-400,423
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustments for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	1,273,920
EU-6a	(Adjustments for exempted intra-group exposures excluded from the leverage ratio total exposure in accordance with Article 429(7) of Regulation (EU) No. 575/2013)	-
EU-6b	(Adjustments for exposures excluded from the leverage ratio total exposure in accordance with Article 429(14) of Regulation (EU) No. 575/2013)	-
7	Other adjustments	-1,029,258
8	Leverage ratio toal exposure measure	55,844,123



15

Encumbered assets

15 ENCUMBERED ASSETS

The information presented in this chapter is in accordance with the requirements of Article 443 of Part 8 of the CRR and the Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) No. 575/2013 of the European Parliament and of the Council as regards technical regulatory standards relating to disclosure of encumbered and unencumbered assets.

An asset is considered to be encumbered if it has been pledged or if it is subject to any type of agreement, which cannot be freely avoided, under which it is intended to serve as security, whether personal or real, in any transaction, or to enhance the credit quality of the transaction.

As at 31 December 2019, there is no difference between the regulatory consolidation scope used in this report and the consolidation scope delimited for the application of the requirements used to define the eligibility of HQLA.

An asset is encumbered to guarantee or collateralize obligations to creditors. There are transactions that, although pledged, are not considered as encumbered assets. These are assets that are pledged because they have been delivered as security for financing transactions, but which bear no encumbrances as they are not fully drawn down.

Unicaja Banco Group values all forms of encumbered asset , as they are of capital importance, representing a significant risk for the Group's liquidity and solvency profile, especially those with a significant level of encumbrance.

The main feature of Unicaja Banco Group's business model is its predominantly retail banking orientation, aimed at individuals and SMEs, with a stable customer portfolio and conservative management of wholesale financing. This business model favours a collateral management strategy aimed at maintaining a prudent level of collateralized assets.

The structure of the intra-group charges is not significant over the total encumbrances. Additionally, based on the criteria set out in Article 415(2) of Regulation (EU) 575/2013, there is no significant impact by currencies other than the reference currency.

Throughout 2019, there has been a decrease in encumbered assets due mainly to the maturity of mortgage bonds issues, 835 million euros and a decrease in encumbrances on assets issued by public authorities, 1,018 million euros. Also, in 2019, the degree of overcollateralization measured as an eligible mortgage portfolio on live mortgage bonds has increased from 357% to 417%, reflecting a greater capacity to use unencumbered assets. As detailed in chapter 8 of this report, Unicaja Banco Group does not hold any securitisation positions.

Of the total encumbered assets for loans and advances other than demand loans, as of 31 December 2019, 5.37% are retained assets. Notes 17.3 and 46 to the consolidated financial statements include information on the mortgage bonds issued by the Group and information on the mortgage market, respectively.

The information reported in the following tables has been determined as the median of the values reported in the year 2019 following the EBA instructions regarding the disclosure of information on encumbered and unencumbered assets.

The following table shows the carrying amount and the fair value of the encumbered and unencumbered assets available to the Group.

Table 33: Encumbered and unencumbered assets. Data in thousands of euros

Encumbered and unencumbered assets. Data in thousands of euros								
Assets	**Book value Encumbered assets**		**Fair value Encumbered assets**		**Book value Unencumbered assets**		**Fair value Unencumbered assets**	
		of which EHQLA and HLQLA		**of which EHQLA and HLQLA**		**of which EHQLA and HLQLA**		**of which EHQLA and HLQLA**
Sight loans	-	-	-	-	2,393,435	2,393,435	-	-
Equity instruments	-	-	-	-	578,246	-	571,747	-
Debt securities	6,090,138	6,087,980	6,199,563	6,197,374	11,234,762	10,217,265	11,686,316	10,713,753
of which: covered bonds	228,460	228,460	244,881	244,881	183,975	183,975	192,611	192,611
of which asset-backed securities	-	-	-	-	53,090	50,144	53,178	50,208
Of which: issued by Public Administrations	3,509,283	3,509,283	3,629,915	3,629,915	9,436,461	9,436,461	9,919,297	9,919,297
Of which: issued by financial corporations	2,596,045	2,580,445	2,622,206	2,606,332	1,636,580	780,804	1,695,982	794,456
Of which: issued by non-financial corporations	-	-	-	-	155,482	-	78,439	-
Loans and advances other than sight loans	5,358,659	-	-	-	23,671,059	-	-	
Other assets (120)	601,126	-	-	-	5,432,562	-	-	-
Total	**12,049,923**	**6,087,980**	**6,199,563**	**6,197,374**	**43,310,064**	**12,610,700**	**12,258,063**	**10,713,753**

In 2019, the median encumbered assets under the EBA ratio accounted for 21.68% of the sum of assets and collateral received at year-end, which demonstrates the moderate use of assets by the group as collateral in financing the balance sheet.

Compared to the previous year, the median of encumbered assets fell by 1.94%, thus improving the ratio with a greater availability of unencumbered assets.

The "Other assets" heading of the unencumbered assets includes items that the Group does not consider likely to be committed in the normal course of business, such as: cash, investments in subsidiaries, joint ventures and associates, real state investments, property, plant and equipment, other intangible assets -including goodwill-, deferred tax assets and other assets. These balance sheet items represent 12.5% of the total unencumbered assets. Median data for 2019 in thousands of euros.

The collaterals received as at 31 December 2019 amount to 2,062 million euros, of which 1,675 million are reverse purchase agreements, with 396 million being reused. The rest of collaterals are securities received for a total of 387 million euros.

The encumbered and unencumbered amounts are shown in the table below:

Table 34: Collateral received by type of asset. Data in thousands of euros

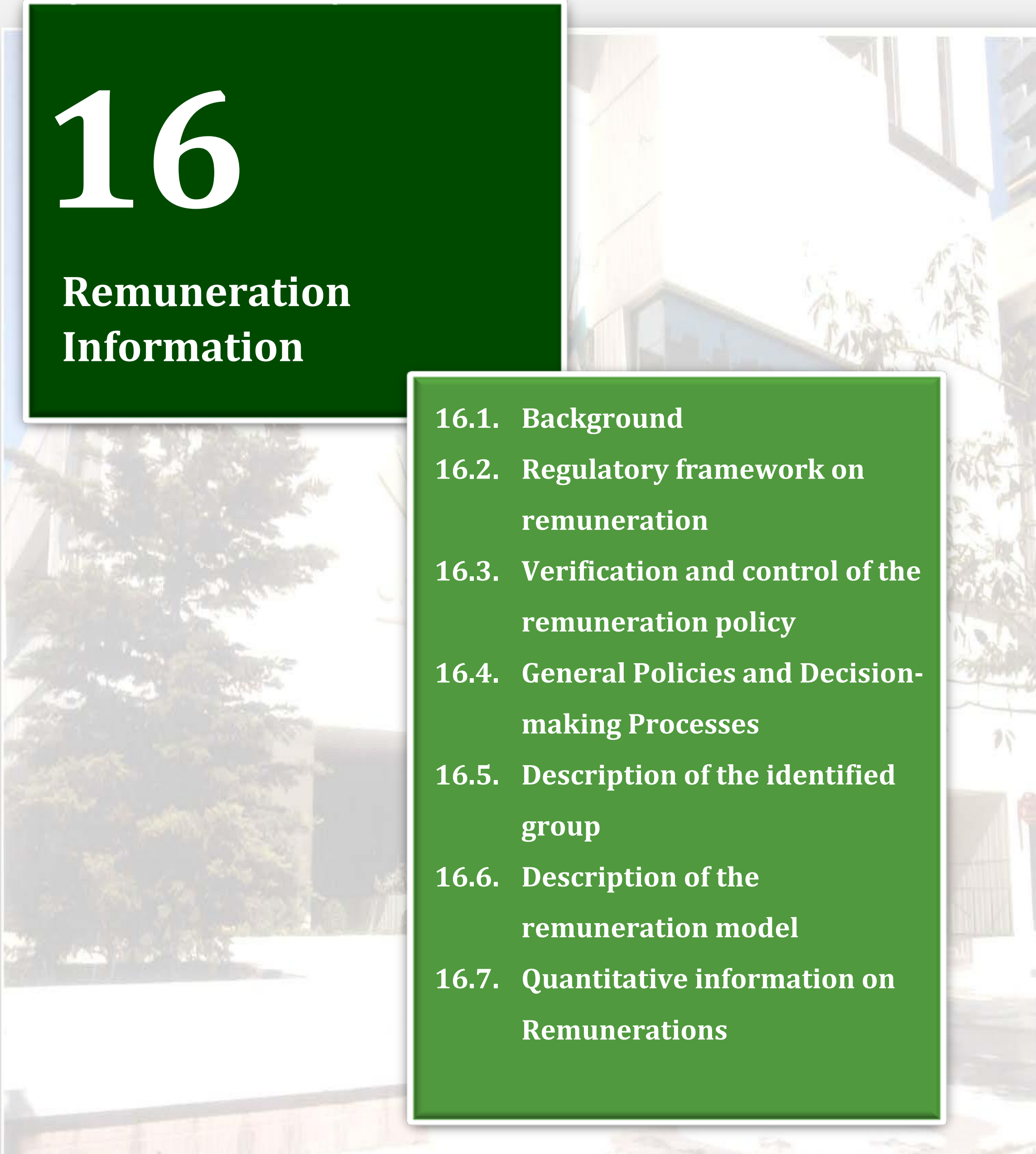
Collateral received by type of asset. Data in thousands of euros				
Guarantees received	**Fair value of collateral received with encumbrances**		**Fair value of collateral received available for encumbrance**	
		of which EHQLA and HLQLA		**of which EHQLA and HLQLA**
Sight loans	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	395,897	395,897	1,278,753	1,179,915
of which: covered bonds	-	-	-	-
of which asset-backed securities	-	-	-	-
Of which: issued by Public Administrations	395,897	395,897	1,088,115	1,088,115
Of which: issued by financial corporations	-	-	102,460	91,541
Of which: issued by non-financial corporations	-	-	-	-
Loans and advances other than sight loans				
Other collaterals received	-	-	387,374	-
Own debt securities issued, other than covered bonds or own asset-backed securities	-	-	-	-
Covered bonds and asset-backed securities issued and not yet pledged	-	-	-	-
Total	**395,897**	**395,897**	**1,666,127**	**1,179,915**

The financial liabilities associated with assets and collaterals received with encumbrances are shown in the following table:

Table 35: Liabilities associated with assets and collaterals received with encumbrances

Data in thousands of euros	Associated liabilities, contingent liabilities or securities with encumbrances	Assets, guarantees received and own debt securities issued, other than secured bonds and securitisation bonds covering assets with encumbrances
Book value selected financial liabilities	**11,648,601**	**12,327,274**

As for encumbered assets acting as colateral for certain obligations, the main sources of encumbrance amount to 11,648,601 thousand euros and include 47% of mortgage bonds and guarantees, 28% drawn down under an ECB facility, 22% financed through repurchase agreements and the rest are derivatives and value loans.



16

Remuneration Information

16 REMUNERATION INFORMATION

16.1 Background

The Annual General Meeting of Shareholders held on 27 April 2018 approved the "Policy on the Remuneration of the Directors of Unicaja Banco, S.A." for the period 2018-2020, in accordance with the provisions of the regulations on banking regulationg, supervision and solvency and, by reference thereto, the Consolidated Text of the Spanish Corporate Enterprises Act. In addition, in December 2016, the Board of Directors of Unicaja Banco approved the "Remuneration Policy Associated to Risk Management ", for which external advice was provided.

The remuneration policy of Unicaja Banco, S.A. aims, in general, to generate and to increase value, in a sustainable manner in the long term, by harmonising the interests of the various stakeholders involved through prudent and responsible risk management.

In this regard, the general remuneration policy of Unicaja Banco Group aims to set overall remuneration, including salaries and discretionary pension benefits, aligning its principles with the requirements demanded of credit institutions in terms of remuneration. 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 to the achievement of all these objectives.

The remuneration system will therefore be governed by the following principles, as set out in the " Remuneration Policy Associated to Risk Management":

- It will promote and be compatible with adequate and effective risk management, and will not offer incentives to assume risks that exceed the level tolerated by the Bank, taking as a reference the Risk Appetite Framework approved by the Board of Directors as applicable.
- It shall be compatible with the business strategy, objectives, values and long-term interests of the Entity, avoiding conflicts of interest. With regard to the business strategy, the "Business Plan" in force at any given time and approved by the Board of Directors will be taken into account, as appropriate.
- The personnel exercising control functions within the Entity shall be independent of the business units they supervise, shall have the necessary authority to perform their duties and shall be remunerated, where appropriate, on the basis of the achievement of the objectives related to their functions, regardless of the results of the business areas they control.
- The remuneration of senior executives responsible for risk management and with compliance functions will be directly supervised by the Remuneration Committee.
- A clear distinction will be made between the criteria for establishing the various components of the overall remuneration, which will respond, in general, to the following parameters:
    - As regards fixed remuneration, it will mainly reflect relevant professional experience and responsibility within the organisation as stipulated in the job description as part of the working conditions.
    - Variable remuneration, where it is intended to be accrued and paid, should reflect sustainable and risk-adjusted performance, as well as performance above that required to meet the requirements of the job description as part of the working conditions.

The information prepared to comply with the regulations and recommendations on transparency in remuneration policy is set out below.

Considering that the scope of this report includes Unicaja Banco Group, the information relating to the Group itself and its parent company, Unicaja Banco, S.A., will be presented below.

16.2 Regulatory framework on remuneration

Since the onset of the international financial crisis, numerous regulatory initiatives have been taken on remuneration, some of which are merely recommendations, while others are binding, at national, European and international level. The following table lists, without being exhaustive, some of the most outstanding initiatives:

Table 36: Regulatory framework on remuneration

Regulatory Initiatives	Source	Date
Principles of good pay practice	FSB	April-09
High-level principles for Remuneration Policies	CEBS	April-09
Remuneration Recommendation in the Financial Sector	EU	April-09
Incorporation of remuneration issues in Directives 2009/111/EC and 2010/76/EU	EU - (CRD III)	May-09
Resolution on remuneration policy	EU	June-10
Green Paper on Corporate Governance	EU	June-10
Law 2/2011, on Sustainable Economy	Cortes	March-11
Law 6/2011, amending various financial regulations	Cortes	April-11
Royal Decree 771/2011, amending Royal Decree 216/2008 on the own funds of financial institutions	Government	June-11
Bank of Spain Circular 4/2011 amending Circular 3/2008 on own funds	Bank of Spain	November-11
Royal Decree-Law 2/2012 on the restructuring of the financial sector	Government	February-12
Order ECC/1762/2012, for entities receiving public financial support	Ministry of Economy	August-12
Regulation No 575/2013 of the European Parliament and of the Council	EU	June-13
Directive 2013/36/EU	EU	June-13
Circular 4/2013, establishing the models for the annual report on the remuneration of directors of listed companies and members of the board of directors	CNMV	June-13
Royal Decree Law 14/2013 on urgent measures to adapt the Spanish law to EU regulations on the supervision and solvency of financial institutions	Government	November-13
Law 10/2014 on the regulation, supervision and solvency of credit institutions	Cortes	June-14
Law 31/2014 amending the Corporate Entreprises Act, for the improvement of Corporate Governance	Cortes	December-14
Royal Decree 84/2015 implementing Law 10/2014	Government	February-15
Circular 7/2015, of the National Securities Market Commission, of 22 December, amending Circulars 4/2013 and 5/2013	CNMV	December-15
Bank of Spain Circular 2/2016 to credit institutions on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and EU Regulation 575/2013	Bank of Spain	February-16
Guidelines on appropriate remuneration policies under Articles 74(3) and 75(2) of Directive 2013/36/EU and disclosure under Article 450 of Regulation (EU) No 575/2013	EBA	June-16
Guidelines on remuneration policies and practices related to the sale and provision of retail banking products and services	EBA	December-16
Guidelines on Internal Governance (GL 2017/2011)	EBA	March-18

At present, with regard to Spain and of particular interest for the preparation of this report, the basic regulations are as follows:

- Regulation No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
- Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions.

- Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions.
- Bank of Spain Circular 2/2016 of 2 February to credit institutions on supervision and solvency, which completes the adaptation of Directive 2013/36/EU and Regulation (EU) 575/2013 to the Spanish legal system.

In this regard, Article 85 of Law 10/2014, Article 93 of Royal Decree 84/2015 and Rule 59 of Circular 2/2016, all of which relate to Part Eight ("Disclosure by Institutions") of Regulation (EU) No 575/2013, provide that credit institutions shall make public, as soon as practicable, at least annually and duly integrated in a single document called Information with Prudential Relevance, specific information on the data on their financial situation and activity in which the market and other interested parties may have an interest in order to assess the risks faced by these groups and entities, their market strategy, risk control, internal organisation and situation in order to comply with the minimum own funds requirements laid down in the solvency regulations. This includes information on its remuneration policy and practices, including discretionary pension benefits and salaries, for its directors and other senior managers, employees who take risks and those who exercise control functions, and for any employees who receive an overall remuneration package that includes them in the same remuneration package as directors, senior managers and employees who take risks and whose professional activities have a material impact on the risk profile of the entity ("identified group").

The information requirements on remuneration policy that are met by this report are therefore included in the precepts and rules mentioned in the previous paragraph, especially as established in Article 450 of Regulation (EU) No. 575/2013.

In those cases where the Spanish regulations described above are not sufficiently specific, the guides and guidelines drawn up by the European Banking Authority ("EBA") have been the reference for establishing remuneration systems and policies in Unicaja Banco Group.

16.3 Verification and control of the remuneration policy

Unicaja Banco Group's remuneration policy is in line with the requirements of the aforementioned regulations for credit institutions. With regard to the parent company Unicaja Banco, the reference documents, previously stated, are the "Policy on the Remuneration of the Directors of Unicaja Banco, S.A." for the period 2018-2020 and the "Remuneration Policy Associated to Risk Management".

Likewise, the Institution has a General Incentive Scheme of Unicaja Banco, applicable to all members of the Identified Group of parent company Unicaja Banco.

The latter applies to the so-called "identified group", which is made up of the directors, senior managers, employees who take risks, those who exercise control functions, and any worker who receives an overall remuneration that includes him/her in the same remuneration scale as senior managers and employees who take risks, whose professional activities have a significant impact on the risk profile of Unicaja Banco at a group, parent company and subsidiary level.

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

In this respect, it verifies annually that the Institution’s remuneration practices do not encourage the assumption of risks above the tolerated level and that they comply with the guidelines and main lines of action governing 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 area, to the low risk profile of Unicaja Banco, as well as to the reduced amount of its potential and effective variable remuneration throughout the 2019 financial year.

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

The total number of employees and information on remuneration can be consulted in the Non-Financial Information Report (section on Remuneration. General Remuneration Policy), and in note 41 to the consolidated financial statements.

16.4 General Policies and Decision-making Processes

In accordance with what has been indicated in previous sections of this chapter, the general remuneration policy of Unicaja Banco Group 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 of risk tolerated by the Group. Furthermore, the policy is compatible with the business strategy, objectives, values and long-term interests of Unicaja Banco Group and includes measures to avoid conflicts of interest.

The following is a description of Unicaja Banco's organizational structure related to the "Remuneration Policy Associated to Risk Management ", as well as the decision-making process, outside the competencies attributed to the General Shareholders' Meeting, both legally and statutorily.

Board of Directors

The Board of Directors of Unicaja Banco is the governing body responsible for establishing the general principles of the Policy, reviewing them periodically. It is also responsible for supervising and guaranteeing the correct application of these principles in Unicaja Banco. Consequently, the Board of Directors is competent to approve the Policy and its subsequent amendments, with the support of the Remuneration and Risk Committees, where appropriate.

According to the Bylaws, the Board of Directors will submit to the consideration of the General Meeting the proposals for the appointment of directors, who will exercise their position during the period of four years and can be re-elected indefinitely for periods of equal duration.

Remuneration Committee

The Board of Directors has set up a Remuneration Committee, which is responsible for proposing and informing on remuneration matters, in particular with regard to the "identified group", which in any case shall include the members of the Board of Directors, the general managers or similar and those responsible for control functions. In preparing its decisions, the Remuneration Committee shall take into account the long-term interests of shareholders, investors and other stakeholders of the Entity, as well as the public interest. The Remuneration Committee shall be composed of a minimum of three directors and a maximum of five, who do not perform executive functions in the Bank. 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 required for the functions to be performed. At least one member of the Commission shall have knowledge and experience of remuneration policies.

Without prejudice to the other functions attributed to it by law (essentially, art. 529 quindecies of Royal Legislative Decree 1/2010 approving the Law on Corporations, and art. 39 of Royal Decree 84/2015), the Articles of Association, or the Regulations of the Board itself, the Remuneration Committee has the following functions

- To ensure that the remuneration policy established by Unicaja Banco is observed.
- To prepare decisions on remuneration, including those with implications for the Bank's risk and risk management, to be taken by the Board of Directors.
- To propose to the Board of Directors the remuneration policy for the Directors and Senior Managers, as well as the individual remuneration and other contractual conditions for the Executive Directors and Senior Managers, ensuring that they are observed.
- To prepare a specific report, which will accompany the proposal of the Remuneration Policy of the Board of Directors.

Throughout 2019, Unicaja Banco's Remuneration Committee has met a total of 8 times.

As at 31 December 2019, the members of the Remuneration Committee were as follows:

- D. Victorio Valle Sánchez (Chairman)
- D. Agustín Molina Morales (Secretary)

- Ms. Ana Bolado Valle (Member)
- D. Manuel Conthe Gutiérrez (Member)
- Ms. Petra Mateos-Aparicio Morales (Member)

Risk Committee

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

To this end, the Risk Committee will examine, without prejudice to the functions of the Remuneration Committee, whether the planned incentive policy takes into account risk, capital, liquidity, probability and opportunity of profits.

Throughout 2019, Unicaja Banco's Risk Committee has met a total of 11 times.

As at 31 December 2019, the members of the Risk Committee were as follows

- Ms. Isabel Martín Castellá (Chairwoman)
- Ms. María Teresa Sáez Ponte (Secretary)
- Ms. Ana Bolado Valle (Member)
- Mr. Juan Fraile Cantón (Member)

María Antonia Otero Quintas resigned from her position as a director and, consequently, from her position as a member of the Remuneration Committee, as published by means of a relevant fact dated 30 July 2019.

Other bodies and units

In the organizational structure of the parent company Unicaja Banco, the different functions relating to the remuneration policy fall to the following Directorates, without prejudice to other Directorates, Departments or corporate functions intervening in the process of preparing, applying or reviewing the policy: Directorate of Secretariat of Governing and Management Bodies, Directorate of Strategy and Policy of Appointments, Remuneration and Training - HR Administration, Directorate of Internal Audit, Corporate Directorate of Global Risk Control, and Directorate of Regulatory Compliance.

The general mission established for each of these Directorates is as follows:

- Directorate of Secretariat of Governing and Management Bodies: To organize, convene and assist in all the activities of the Governing and Management Bodies, notifying the agreements adopted and monitoring them. To manage the provision of the necessary documentation for the meetings of the Governing and Management Bodies; to prepare the minutes of the meetings; to make communications and send the documentation to the bodies and institutions that may be appropriate in relation to the activity of the Governing and Management Bodies, as well as to coordinate the completion of the reports and memorandums that must be approved or taken into consideration.
- Directorate of Strategy and Appointments, Remuneration and Training Policy - HR Administration: To propose and implement the Human Resources policy, developing systems and procedures suited to the needs of Unicaja Banco, as well as participating and advising on the preparation and evaluation of the Bank's Remuneration Policy, including the remuneration structure, levels of remuneration and incentive programmes, so as not only to attract and retain the staff the Bank needs, but also to ensure that the Policy is in line with the Bank's risk profile.
- Directorate of Internal Audit: To carry out an independent and objective review of the quality and effectiveness of the Bank's internal control system and risk management framework, as well as to carry out, at least once a year, a central and independent internal evaluation of Unicaja Banco's Remuneration Policy in order to verify compliance with the remuneration guidelines and procedures adopted by the Board of Directors.
- Corporate Directorate of Global Risk Control: To be responsible for controlling all the risks incurred by the Bank, taking as a reference the RAF in force at any given time; to contribute to defining risk-adjusted performance measures, as well

as to evaluate how the variable remuneration structure affects the risk profile and culture of the Bank; to validate and evaluate the risk adjustment data and to cooperate as necessary with the Remuneration and Risk Committees.

- Directorate of Regulatory Compliance: To ensure compliance with applicable external and internal regulations, in addition to analysing how the Remuneration Policy affects the Bank's compliance with legislation, internal policies and risk culture, and to report all compliance risks and problems of non-compliance detected, for consideration, in its supervisory role, by the Board of Directors.

16.5 Description of the identified group

For the purposes of the "Remuneration Policy Associated to Risk Management", as shown above, the group includes directors, senior managers, employees who assume risks, those who exercise control functions, and any worker who receives a global remuneration that includes him/her in the same remuneration scale as senior managers and employees who assume risks, whose activities have a significant impact on the risk profile of Unicaja Banco at group, parent company and subsidiary level.

The Institution, through the Remuneration Committee, will keep the composition of the Identified Group permanently updated, which will be available to the European Central Bank, the Bank of Spain and the external and internal auditors, at the headquarters of the Directorate of Strategy and Policy of Appointments, Remuneration and Training - HR Administration.

At 31 December 2019, this group was made up of 91 people, 1.31% of Unicaja Banco Group's staff. Specifically, this group was made up of:

- 2 Executive Directors of Unicaja Banco.
- 9 Non-Executive Directors of Unicaja Banco
- 5 Independent Directors of the Banco Europeo de Finanzas.
- 13 members of the Senior Management of Unicaja Banco.
- 7 members of the Senior Management of the Group companies.
- Unicaja Banco Managers of: Risk Admission, Analysis of Companies and Institutions, Analysis of Individuals, Control and Monitoring of Credit Risk, Credit Risk Models, Treasury and Capital Markets, Asset Management, Market Analysis and Strategy, Balance Sheet Management, Internal Validation, Real Estate, Investees, Corporate Banking, Specialized Banking, Business Banking, Means of Payment, Consumer Credit and Point of Sale Financing, Financial and Fiscal Information, Efficiency and Studies, Investor Relations, Strategy and Policy on Appointments, Remuneration and Training - Administration. HR, Transformation, Planning, Analytics and Data, Business Strategy, Business Intelligence and Digital Banking, Operations, Customer Service, Organization, Transformation and Innovation and Secretary to the CEO.
- Managers of the Banco Europeo de Finanzas: Internal Audit and Administration and Accounting.
- Territorial Managers of Unicaja Banco in: Malaga, Castilla La Mancha-Madrid, Eastern and Western Andalusia, Leon and Salamanca.
- Unicaja Banco's Data Protection Officer.
- The Managers of the following Unicaja Banco’s Areas: Capital, Key Processes, Cybersecurity, Risks and Area of Governance and Data Quality
- The Heads of the following Unicaja Banco's units: Back Office, Treasury and Trading Desk and Middle Office units.
- Systems Manager at the Banco Europeo de Finanzas.
- Advisor to the Chairman of Unicaja Banco.

16.6 Description of the remuneration model

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

This system complies with the provisions of the "Remuneration Policy Associated to Risk Management", taking into account that its practical application is adapted to the principle of proportionality that inspires the regulations in this area, to the low risk profile of Unicaja Banco, and to the reduced amount of its variable remuneration.

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

Overall remuneration

The remuneration policy and remuneration practices included therein govern the overall remuneration applicable to the identified group, 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 promote and be compatible with adequate and effective risk management, without incentives to assume risks that exceed the level tolerated by the Bank, taking as a reference, as soon as applicable, the RAF approved by the Board of Directors, 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 implementation of the remuneration policy, the "identified group" is required to commit to not using personal coverage or insurance strategies, related to remuneration and liability, that undermine the effects of the alignment with risk included in their remuneration systems.

In this respect, it has been verified that the Bank's remuneration practices do not encourage the assumption of risks above the tolerated level and are in line with the guidelines and main lines of action governing its activity.

Variable remuneration

Where remuneration includes variable components, a balanced and efficient relationship between these and the fixed components should be maintained so that the fixed component constitutes a sufficiently high proportion of the total remuneration.

In particular, the variable component shall not exceed 100% of the fixed component of each individual's total remuneration.

In this respect, the variable components meet the following requirements, the principle of proportionality being applied in all cases:

- The total of the variable remuneration will not limit the capacity of the institution to strengthen the strength of its capital base.
- It will be reduced upon the performance assessment, in the event of negative performance of the Entity's results or its capital ratios, either in relation to those of previous years or to those of similar entities, or negative performance of other parameters, such as the degree of achievement of the budgeted objectives. In any case, the reduction of variable remuneration will occur whenever there is a requirement or recommendation by the competent authority to restrict the dividend distribution policy.
- Up to 100% of the total variable remuneration will be subject to remuneration reduction or recovery clauses (malus and clawback clauses), when there is a poor financial performance of the Institution as a whole or of any specific Division, Directorate or Unit, whose action is significant for the Institution.
- Guaranteed variable remuneration will not be compatible with sound risk management or the principle of rewarding performance and will therefore not be part of any remuneration scheme and will be exceptional; it may only be applied when new staff is recruited and the institution has a sound capital base and will be limited to the first year of employment. Between 40% and 60% of the variable remuneration to be paid by the Bank to the members of the identified group will be deferred for a certain period, taking into account the economic cycle, the nature of the

business, its risks and the activities of the person concerned, which in no case will be less than three years or more than five.

In particular, it will apply according to the following scheme:

a) Executive Directors:

At least 40% of the variable remuneration accrued each year will be deferred for a period of between three and five years, and will be subject to ex-post adjustments for results and for the evolution of the risk, capital and liquidity of the Bank in the period from which they arise.

b) Rest of the members of the Management Committee:

40% of the variable remuneration accrued each year will be deferred for a period of between three and four years, and will be subject to ex-post adjustments for results and for the evolution of the risk, capital and liquidity of the Bank in the period from which they arise.

c) Rest ofmembers of the identified group

40% of the variable remuneration accrued each year will be received deferred for a period of three years, and will be subject to ex-post adjustments for results and for the evolution of the risk, capital and liquidity of the Bank in the period from which it derives.

- At least 50% of the variable remuneration of all members of the identified group, whether deferred or not, will be paid through instruments linked to the evolution of Unicaja Banco's shares and, when possible, other types of instruments determined by the supervisor that adequately reflect the Bank's credit rating. These payments in instruments will have a retention for the corresponding term, and will be subject to the evolution of the Entity's own funds.

In these cases, where remuneration is linked to performance, the right to receive it and the total amount of remuneration shall be based on objective indicators.

The Company's bylaws provide that part of the remuneration of executive Directors may be variable, correlated to some indicator of the Director's or the company's performance. Within the framework of the Remuneration Policy, of the General Incentive Scheme of the Company, of the specific scheme for executive directors and of the contractual agreements with them, the Board of Directors will set and evaluate for each year, at the proposal of the Remuneration Committee, the specific target variables and other conditions for determining the accrual, quantification and payment of variable remuneration, which may vary from one executive director to another. In this sense, for 2019, only the Incentive System for the CEO of Unicaja Banco was approved, as the Executive Chairman expressly waived them.

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

With respect to the rest of the "identified group", for the year 2019 the System of Incentives for Key Personnel and the System of Incentives for the Rest of the Identified Group were approved, both of which are limited to the parent company Unicaja Banco.

The two systems have been developed within the framework of the current legislation and of the Bank's Remuneration Policy, and in both cases a bonus is provided based on both quantitative and qualitative objectives. They are subject to the principles of deferral, payment in instruments, retention and reduction and/or recovery clauses. In the case of the System of Incentives for Key Personnel, a bonus of up to 25% of the annual fixed monetary remuneration foreseen for the manager, while in the System of Incentives for the Rest of the Identified Group, the maximum amount of the bonus is established according to the manager's position.

The objective and vocation of the Bank is to have a variable remuneration system that reaches the whole of the identified group, is feasible, measurable and with an adequate cost-effectiveness ratio, adjusted to the specific conditions that concur within the respect of the regulations in force, with vertical and horizontal equity, compensating actions that are higher than the standards, and respecting the framework of risk appetite and alignment with the strategic objectives of the Bank.

The results criteria on which the right to variable remuneration is based are fundamentally objective and are measured at the company, unit and individual levels.

Furthermore, for the latter group, under the interpretation of the principle of proportionality, the neutralisation of the principles of deferment, retention 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 Entity's Business Plan and RAF, as well as other qualitative variables.

Specifically, the ttarget variables considered to be most representative of the activity of the member of the Identified Group have been established, assigning to each of them a weighting percentage that represents their relevance.

The indicator of achievement of objectives will be obtained by means of the weighted average of the degree of compliance achieved in each of the target variables.

In order to be entitled to receive incentives, an achievementindex of at least 90% must be obtained as of December, there must be no limitations on the maximum amount that can be distributed, and the Entity must reach the minimum level determined for each of the basic indicators of the Business Plan that may be established in general and/or specifically at the end of each financial year.

The payment of the variable remuneration will be conditioned by the resulting achievement index, modulated by a synthetic indicator of compliance with the Business Plan, the recurrent Profit Before Tax(excess over budget), a synthetic indicator of the RAF and the individual evaluation.

Discretionary pension benefits

Discretionary pension benefits are generally defined as discretionary payments made by a credit institution on an individual basis to its staff under a separate pension plan or instrument providing retirement benefits 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 the generality of the staff.

In line with the " Remuneration Policy Associated to Risk Management", the discretionary pension commitments will be established under criteria that, in any case, are in line with the Bank's interests, so that their periods of accrual and effectiveness do not give rise to remuneration for this concept that is not in line with the Bank's economic situation at the time they are paid.

For executive directors, general managers and similar personnel, a significant part –no less than 15%- of the contributions to pension commitments or savings insurance covering similar contingencieswill be based on variable components and will be treated as discretionary benefits.

Risk adjustment requirements applicable to variable remuneration

The three incentive systems approved in 2019 for application to the Identified Group (Incentive System for the CEO, Incentive System for Key Personnel and Incentive System for the Rest of the Identified Group, all for the parent company Unicaja Banco) set the following requirements:

- Between 40 and 60 per cent of the variable remuneration shall be deferred for a period, taking into account the economic cycle, the nature of the business, its risks and the activities of the person concerned and which, in no case, may be less than three years or more than five years.
- At least 50%, whether deferred or non-deferred, shall be paid through and, where possible, other types of instruments determined by the supervisor that adequately reflect the credit rating of the institution.

Other payments

The payments made for early termination of contracts of the "identified group" will be reasonable and proportionate, and will take into account the effective time of the service provided and the future service agreed upon which will not be provided, without in any case implying a reduction in the solvency of the Entity. In general, the allowances provided for in the Workers' Statute or in the special regulations applicable, as well as those agreed, where appropriate, in the contracts signed, will be applied. In 2019, two members of the "identified group" ended their positions at the company and indemnities totalling 253 thousand euros were paid, of which 65 thousand euros were in shares, with a one-year retention, and a total of 231 thousand euros were deferred for the next five years. Two other members of the "identified group" have caused early retirement and in neither case can the compensation received, either by way of instrumentation or in terms of the amount, be considered as early termination.

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 fees for attending the meetings of the Board of Directors and its Committees.

General remuneration of executive Directors

Executive Directors shall also be entitled to receive remuneration consisting of:

- A fixed part, appropriate to the services and responsibilities assumed.
- A variable part, correlated with some indicator of the company's performance
- A welfare part, which will contemplate the appropriate welfare and insurance systems.
- An indemnity in the event of separation or any other form of termination of the legal relationship with the Company due to circumstances not attributable to the Director.

With regard to the above, the Executive Chairman resigned for 2018 and subsequent years to the health insurance coverage provided by the Company, as well as to the severance pay and variable remuneration system.

The current CEO does not have a termination indemnity, but is entitled to the reservation of his previous position in the Bank for a maximum period of one year.

16.7 Quantitative Information on Remunerations

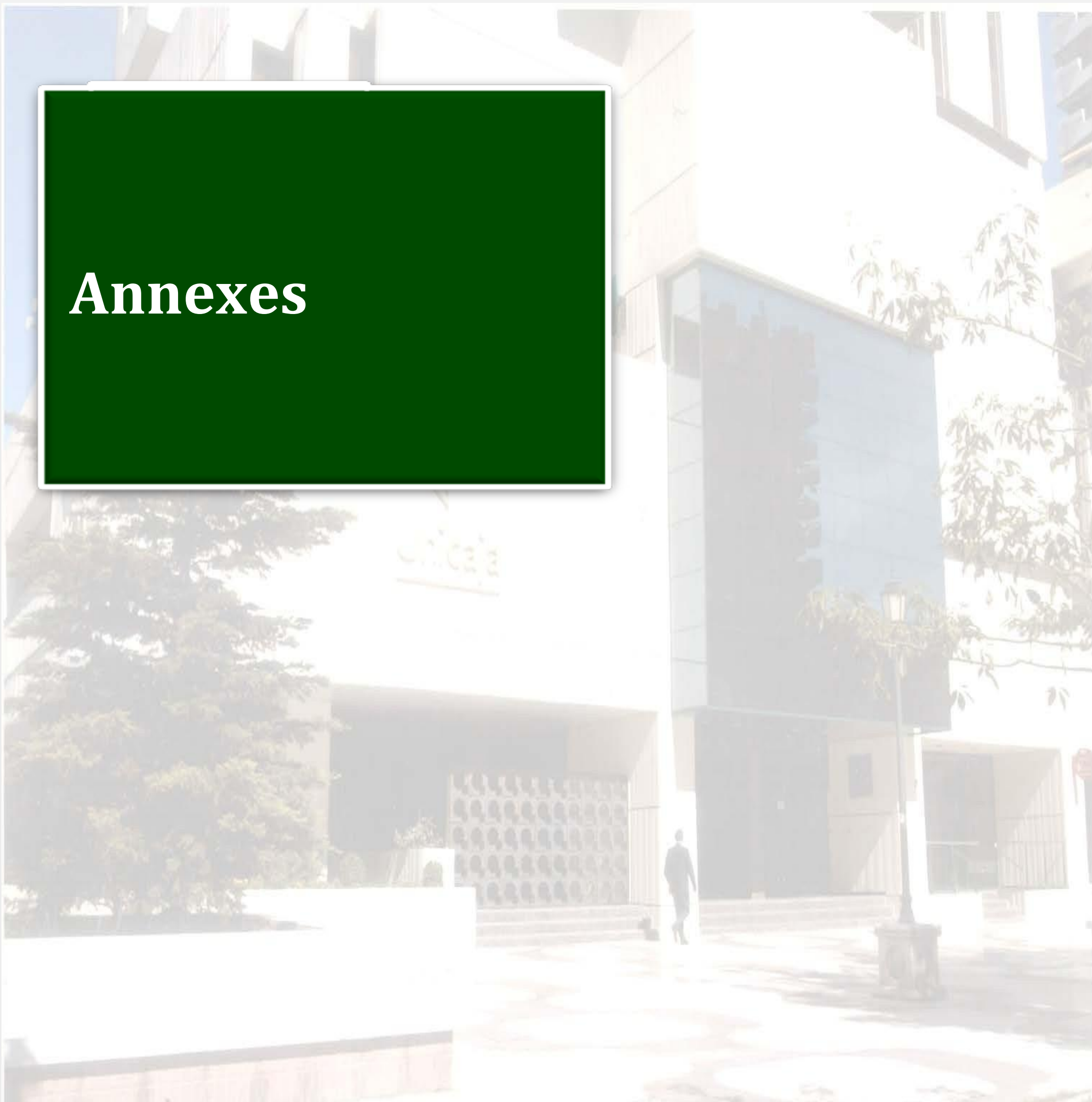
In compliance with the regulatory framework for transparency in relation to remuneration, below is the information relating to the remuneration accrued during the year ended on 31 December 2019, in thousands of euros, by the components of the "identified group" of Unicaja Banco Group:

Table 37: Remuneration of the "identified group"

	Board of Directors Non-executive Directors	Board of Directors Executive Directors	Investment Banking	Commercial Banking	Asset Management	Corporate functions	Independent control functions	Rest
1. Identified group (employees or not)	9	2						
2. Number of identified full-time equivalent employees			1	17	6	23	11	14
Of which: senior management			-	3	-	6	4	-
Of which: in control functions			-	-	-	-	7	-
3. Amount of total fixed remuneration	772	1,135	188	2,318	670	3,332	1,327	988
Of which: in cash	772	1,135	188	2,318	670	3,332	1,327	988
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in other types of instruments	-	-	-	-	-	-	-	-
4. Amount of total variable remuneration	-	261	-	-	-	122	-	12
Of which: in cash	-	131	-	-	-	122	-	12
Of which: in shares or related instruments	-	131	-	-	-	-	-	-
Of which: in other types of instruments	-	-	-	-	-	-	-	-
5. Total variable remuneration accrued in the year being deferred	-	131	-	-	-	-	-	-
Of which: in cash	-	65	-	-	-	-	-	-
Of which: in shares or related instruments	-	65	-	-	-	-	-	-
Of which: in other types of instruments	-	-	-	-	-	-	-	-
Additional information on the total amount of variable remuneration								
6. Total amount of deferred variable remuneration accrued in previous years, in accordance with Article 450.1 (h) (iii) of Regulation (EU) No. 575/2013	-	-	-	-	-	-	-	-
7. Amount of explicit ex-post performance adjustment applied in the year for remuneration earned in previous years	-	-	-	-	-	-	-	-
8. Number of beneficiaries of guaranteed variable remuneration	-	-	-	-	-	-	-	-
9. Total amount of guaranteed variable remuneration for the year	-	-	-	-	-	-	-	-
10. Number of beneficiaries of compensation for early termination of contract	-	1	-	-	-	1	-	-
11. Total amount of compensation for early termination of contract paid during the year	-	131	-	-	-	122	-	-
12. Maximum amount of compensation for early termination of contract paid to a person, according to Article 450.1 (h) (v) Regulation (EU) No. 575/2013	-	131	-	-	-	122	-	-
13. Number of beneficiaries of discretionary pension benefit contributions made in the year	-	-	-	-	-	-	-	-
14. Total amount of contributions to discretionary benefits in the year	-	-	-	-	-	-	-	-
Additional information								
15. Total amount of variable remuneration accrued in multi-year periods in programmes that are not updated annually	-	-	-	-	-	-	-	-
16. Number of beneficiaries of discretionary pension benefits who have left the institution (either by retirement or termination)	-	-	-	-	-	-	-	-
17. Total amount of discretionary pension benefits paid or withheld during the year to persons who have left the entity (either by retirement or termination)	-	-	-	-	-	-	-	-

Finally, it should be noted that no person in Unicaja Banco Group has earned more than one million euros in 2019.

Annexes



17 ANNEX I: CAPITAL INSTRUMENTS' MAIN FEATURES OF UNICAJA BANCO GROUP AS AT 31/12/2019

Table 38: Capital instruments' main features

Issuer	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A.
Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement of securities)	ES0180907000	ES0280907009	ES0280907017
Governing law of the instrument	Spanish Legislation	Spanish Legislation	Spanish Legislation
Regulatory treatment			
Transitional CRR rules	CET 1 capital	Additional Tier 1 Capital	Tier 2 Capital
Eligible at solo/(sub)consolidated/solo and (sub)consolidated	Individual 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 into newly issued shares (PeCoCos Bonds)	Subordinated Bonds Tier2
Amount recognized in regulatory capital (currency in millions, as of the most recent reporting date)	1610	48	300
Nominal amount of instrument	1.610	49	300
Issue price	n/a	100%	100%
Redemption price	n/a	100%	100%
Accounting classification	Net Worth	Net Worth	Financial Liabilities at Amortized Cost: Debt Securities Issued (Other non-convertible securities)
Original date of issue	n/a	28/03/2014	13/11/2019
Perpetual or dated	Perpetual	Perpetual	Maturity
Original maturity date	No maturity date	No maturity date	13/11/2029
Issuer call subject to prior supervisory approval	No	No	Yes
Optional call date, contingent call dates and redemption amount	n/a	n/a	11/13/2024; and at any time, with the prior consent of the Supervisor, by reason of a Tax Event or Capital Event.
Subsequent calldates, if applicable	n/a	n/a	n/a
Coupons/Dividends			
Fixed or floating dividend/coupon	Variable	Fixed	Fixed
Coupon rate and any related index	n/a	13.8824% per year	From 13/11/2019 to 13/11/2024 (excluded) : 2.875% per year ; From 13 November 2024 (included) and until 13 November 2029 (excluded) they will accrue a fixed interest equal to the applicable 5-year Mid-Swap rate plus a margin of 3.107%, payable on 13 November of each year, with the first payment at this new rate being made on 13 November 2025.
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Mandatory

Existence of step up or other incentive to redeem	No	No	No
Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative
Convertible or non-convertible	Non-convertible	Convertible	Non-convertible
If convertible, conversion trigger(s)	n/a	1. Total mandatory early conversion: (i) If Unicaja Banco adopts any measure aimed at its dissolution and liquidation, whether voluntary or involuntary, or if it is declared in bankruptcy. (ii) If Unicaja Banco adopts any measure that results in the approval of a capital reduction in accordance with the provisions of articles 320 and following of the Corporate Entreprises Act, or 343 by reference to article 418.3 of the Corporate Entreprises Act. 2. Contingency events: (i) If Unicaja Banco Group presents an ordinary capital ratio (Core Tier 1) lower than 7%, calculated in accordance with the definition used in Recommendation EBA/REC/2011 and applied in the stress test of the European Banking Authority (EBA) or any other percentage of own funds lower than the minimum established by the applicable Spanish or European regulations, provided that the aforementioned Recommendation is in force. (ii) When the Institution subject to Bank of Spain Circular 7/2012, according to the first rule, presents a main capital of less than 7%. (iii) If Unicaja Banco or Unicaja Banco Group, presents a first level ordinary capital ratio (Common Equity Tier 1), lower than 5.125% calculated in accordance with Circular 3/2008 as amended or any rule that complements or replaces it at any time and, in particular, CRD IV / CRR. (iv) If having a basic own funds ratio (Tier 1 capital ratio) lower than 6%, calculated according to Circular 3/2008 or any Spanish regulation on own funds applicable at any time, Unicaja Banco or Unicaja Banco Group, present significant accounting losses. "Significant accounting losses" will be understood to exist when the losses accumulated over the last four closed quarters as a whole have reduced the capital and 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 a decision is made to inject public capital or any other financial support measure, without which the Entity would not be viable. 4. Regulatory events:	n/a

		(i) If, with the entry into force and in application of the Basel III capital adequacy rules (CRD IV / CRR) in 2014, Unicaja Banco Bonds cease to be computable as Additional Tier 1 Ratio. (ii) If Unicaja Banco's Bonds cease to be computable as principal according to Circular 7/2012. (iii) If Unicaja Banco Bonds cease to be computable as ordinary capital (Core Tier 1) calculated as defined in Recommendation EBA/REC/2011 and applied in the EBA stress test.	
If convertible, fully or partially	n/a	In whole or in part	n/a
If convertible, conversion rate	n/a	1.18827 euros per share	n/a
If convertible, mandatory or optional conversion	n/a	Mandatory	n/a
If convertible, specify instrument type convertible into	n/a	Newly issued common shares (Tier 1 ordinary capital)	n/a
If convertible, specify issuer of instrument it converts to	n/a	Unicaja Banco, S.A.	n/a
Write-down features	No	Yes	n/a
If write-down, write-down trigger(s)	n/a	The Conversion Price of Unicaja Banco Bonds may be higher than the actual value of Unicaja Banco common shares at the time of conversion.	n/a
If write-down, full or partial	n/a	In whole or in part	n/a
If write-down, permanent or temporary	n/a	Permanent	n/a
If temporary write-down, description of the write-up mechanism	n/a	n/a	n/a
Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	Last position (AT1)	After subordinated loans classified as Tier 2 capital	After subordinated loans not classified as Tier 1 additional capital or Tier 2 capital
Non-compliant transitioned features	No	No	No
If yes, specify the non-compliant features	n/a	n/a	n/a

18 ANNEX II: GUIDELINES ON LIQUIDITY MANAGEMENT DISCLOSURE (LCR-EBA/GL/2017/01)

- **Concentration of funding and liquidity sources:**

The main characteristic of Unicaja Banco Group's business model is that it is a preferably retail bank, aimed primarily at individuals and SMEs, with retail deposits being its main source of financing, representing 82% of total deposits. Within retail deposits, 75% are stable deposits, which shows stable financing over time.

There are other sources of funding, which in order of importance are funding through the TLTRO programme, the issue of mortgage bonds and funding in money markets, all of which are collateralized by public debt.

- **Derivative exposures and potential collateral calls:**

The Entity manages liquidity risk prudently, providing guarantees for derivatives contracted in organized and unorganized markets and for financing operations collateralized in money markets. The Entity frequently values liquidity outflows of this nature, not considering them material.

- **Currency mismatch in the LCR:**

Unicaja Banco's business is concentrated in Spain, so the risk of financing in foreign currency is not relevant.

- **Description of the degree of centralisation of liquidity management and interaction between the group's units:**

Unicaja Banco group has a decentralized and independent management model for liquidity and financing, which limits the exposure to risk that could arise from excessive dependence on intra-group financing. Thus, each Entity manages its sources of financing independently and autonomously from the rest of the Group in accordance with the provisions of the Liquidity Risk Control and Management Policies, and in line with the provisions of the Shareholders' Agreement, with each Entity defining its own business model and financing strategy, albeit coordinated by the Group's General Directorate of Finance and responding to the same risk management policies.

- **Other items in the LCR calculation that are not captured in the LCR disclosure template but that the institution considers relevant for its liquidity profile:**

Unicaja Banco, in addition to normal and regulatory liquidity management, performs frequent liquidity and funding risk analysis with different time horizons (from one day to one year) as well as different types of scenarios (idiosyncratic, systemic and combined).

Table 39: LCR quantitative information

UNICAJA BANCO (Consolidated Group)	Total Weighted Value (Average)
Liquidity Buffer	13,303
Total net cash outflow	4,067
LIQUIDITY COVERAGE RATIO	**327%**

19 ANNEX III: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

Table 40: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2019	REGULATION (EU) Nº 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013 (**)
1.	Capital instruments and the related share premium accounts	2,765,184	26 (1), 27, 28, 29, ABE list 26 (3)	
	Of which: Instrument type 1 instrument		EBA List 26 (3)	
	Of which: Instrument type 2 instrument		EBA List 26 (3)	
	Of which: Instrument type 3 instrument		EBA List 26 (3)	
2.	Retained earnings (*)	1,132,953	26 (1) (c)	
3.	Accumulated other comprehensive income (and other reserves, to include unrealised gains or losses, under the applicable accounting standards)	-1,050	26 (1)	
	3.a.Funds for general banking risks		26 (1) (f)	
4.	Amount of qualifying items referred to in Article 484(3) and the related share premium accounts subject to phase out from CET1		486 (2)	
5.	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	
	5.a. Independently reviewed interim profits net of any foreseeable charge of dividend		26 (2)	
6.	Common Equity Tier 1 (CET1) capital before regulatory adjustments	3,897,087		
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7.	Additional value adjustments (negative amount)	2,525	34, 105	
8.	Intangible assets (net of related tax liabilities) (negative amount)	16,966	36 (1) (b), 38, 472 (4)	
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 liabilities where the conditions in Article 38(3) are met) (negative amount)	318,492	36 (1) (c), 38, 472 (5)	
11.	Fair value reserves related to gains or losses on cash flow hedges	-94,580	33 (a)	
12.	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13.	Any increase in equity that results from securitised assets (negative amount)		32 (1)	
14.	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	622	33 (b)	
15.	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16.	Direct and indirect holdings by an institution of own CET1 instruments (negative amount		36 (1) (f), 42, 472 (8)	
17.	Holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution desined to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	

(*) Includes the IFRS 9 phase-in adjustements.

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 the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19.	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities (amount above the 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3),79, 472 (10)	
20.	Empty Set in the EU			
	20.a Exposure amount of the following items, which may qualify for a RW of 1250 %, where the institution opts for the deduction alternative	-	36 (1) (k)	
	20.b Of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
	20.c Of which: securitisation positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	
	20.d Of which: incomplete transactions (negative amount)		36(1) (k) (iii), 379 (3)	
21.	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liabilities, where the conditions in Article 38(3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22.	Amount exceeding the 15% threshold (negative amount)	108,963	48 (1)	
23.	Of which: direct and indirect holdings by the entity of Tier 1 capital instruments of financial sector entities when the entity holds a significant investment in those entities	62,498	36 (1) (i), 48 (1) (b), 470, 472 (11)	
24.	Empty field in the EU			
25.	Of which: deferred tax assets arising from temporary differences	46,464	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
	25.a Loss for the current financial year (negative amount)		36 (1) (a), 472 (3)	
	25.b Foreseeable tax charges relating to CET1 items (negative amount)		36(1) (l)	
26.	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
	26.a Regulatory adjustments relating to unrealized gains and losses under Articles 467 and 468		467 468	
	26.b Amount to be deducted from or added to Common Equity Tier 1 capital with regard to other filters and deductions required preCRR		481	
27.	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)		36 (1) (j)	
28.	Total regulatory adjustments to Common Equity Tier 1 (CET1)	352,988		
29.	**Common Equity Tier 1 (CET1) capital**	3,544,099		
Additional Tier 1 (AT1) capital - Instruments				
30.	Capital instruments and the related share premium accounts	47,574	51, 52	
31.	of which: classified as equity under applicable accounting standards	47,574		
32.	of which: classified as liabilitiesunder 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		486 (3)	

34.	Qualifying Tier 1capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		85, 86, 480	
35.	Of which: instruments issued by subsidiaries subject to phase out		486 (3)	
36.	Additional Tier 1 (AT1) capital before regulatory adjustments	47,574		
	Additional Tier 1 (AT1) capital: regulatory adjustments			
37.	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)		52 (1) (b), 56 (a), 57, 475 (2)	
38.	Holdings of the AT1instruments 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)		56 (b), 58, 475 (3)	
39.	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above the 10% threshold net of eligible short positions) (negative amount)		56 (c), 59, 60, 79, 475 (4)	
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 the 10% threshold and net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	
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)	-		
	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	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (11) (a)	
	of which: items that must be indicated line by line, for example, insufficient net provisional losses compared to expected losses, etc.			
	41.b Residual amounts deducted from Tier 1 capital in addition to the deduction of Tier 2 capital during the transitional period under Article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
	of which: items that must be indicated line by line, for example, reciprocal holdings in tier 2 equity instruments, direct holdings in immaterial investments in the capital of other financial sector companies, etc.			
	41.c Amount to be deducted from or added to Additional Tier 1 capital with regard to other filters and deductions required pre-CRR		467, 468, 481	
	Of which: … possible filter for unrealised losses		467	
	Of which: …Possible filter for unrealised gains		468	
	Of which: …		481	
42.	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)		56 (e)	
43.	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-		
44.	ADDITIONAL TIER 1 (AT1) CAPITAL	47,574		
45.	TIER 1 CAPITAL (T1 = CET1 + AT1)	3,591,673		

Tier 2 (T2) capital: instruments and provisions				
46.	Capital instruments and the related share premium accounts		62, 63	
47.	Amount of qualifying items referred to in Article 484(5) and the related share premium accounts subject to phase out from T2		486 (4)	
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		87, 88, 480	
49.	Of which: instruments issued by subsidiaries subject to the phase out		485 (4)	
50.	Credit risk adjustments	-	62 (c) and (d)	
51.	Tier 2 (T2) capital before regulatory adjustments			
Tier 2 (T2) capital: regulatory adjustments				
52.	Direct and indirect holdings by an institution of own T2 instruments (negative amount)		63 (b) (i), 66 (a), 67, 477 (2)	
53.	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdigns with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477 (3)	
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 the 10% threshold and net of eligible short positions)		66 (c), 69, 79, 477 (4)	
	54.a Of which new holdings not subject to transitional arrangements			
	54.b Of which holdings existing before 1 January 2013 and subject to transitional arrangements			
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 shor positions) (negative amount)		66 (d), 69, 79, 577 (4)	
56.	Regulatory adjustments applied to tier 2 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)	-		
	56.a Residual amounts deducted from Tier 2 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		472, 472(3)(a), 472 (4), 472 (6), 472(8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	of which: items that must be indicated line by line, for example, significant net provisional losses, intangible assets or provisions compared to expected losses, etc.			
	56.b Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	
	of which: items that must be indicated line by line, for example, reciprocal holdings in additional tier 1 equity instruments, direct holdings in immaterial investments in the capital of other financial sector companies, etc.			

	56.c Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR		467, 468, 481	
	Of which: … possible filter for unrealised losses		467	
	Of which: …Possible filter for unrealised gains		468	
	Of which: …		481	
57.	Total regulatory adjustments to Tier 2 (T2) capital	-		
58.	TIER 2 (T2) CAPITAL	300,000		
59.	TOTAL CAPITAL (TOTAL CAPITAL = TIER 1 + TIER 2)	3,891,673		
	59.a Risk-weighted assets 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)			
60.	TOTAL RISK-WEIGHTED ASSETS	22,982,533		
	Capital ratios and buffers			
61.	Common Equity Tier 1 (as a percentage of risk exposure amount)	0.1542	92 (2) (a), 465	
62.	Tier 1 (as a percentage of risk exposure amount)	0.1563	92 (2) (b), 465	
63.	Total capital (as a percentage ofrisk exposure amount)	0.1693	92 (2) (c)	
64.	Institution specific buffer requirements (CET1 requirement under Article 92(1)(a) plus capital conversation and counter-cyclical capital buffer requirements, plus systemic risk buffer, plus the systemically important institution buffer, expressed as a percentage of the amount of risk exposure		DRC 128, 129 and 130	
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 Institutions (O-SII) buffer		DRC 131	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amoung)		DRC 128	
69.	(not part of EU regulations)			
70.	(not part of EU regulations)			
71.	(not part of EU regulations)			

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 nothave a significant investment in those entities (amount below the 10% threshold and net of eligible short positions)	251,586	36 (1) (h), 45, 46, 472 (10), 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	
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)	346,166	36 (1) (i), 45, 48, 470, 472 (11)	
74.	Empty Setin the EU			
75.	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liabilities,where the conditionsin Article 38(3) are met)	283,623	36 (1) (c), 38, 48, 470, 472 (5)	
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)	-	62	
77.	Cap on inclusion of credit risk adjustments in T2 capital under standardised approach	-	62	
78.	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)		62	
79.	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach		62	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)				
80.	Current cap on CET1 instruments subject to phase-out arrangements		484 (3), 486 (2) y (5)	
81.	Amount excluded from CET1 due to cap (excess over capafter redemptions and maturities)		484 (2), 486 (2) y (5)	
82.	Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) y (5)	
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) y (5)	
84.	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) y (5)	
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) y (5)	

20 ANNEX IV: TEMPLATE ON THE COMPARISON OF INSTITUTIONS' OWN FUNDS AND CAPITAL AND LEVERAGE RATIOS WITH AND WITHOUT THE APPLICATION OF TRANSITIONAL ARRANGEMENTS FOR IFRS 9 OR ANALOGOUS ECLS

Table 41: Transitional application of IFRS 9

Comparison of institutions' own and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs						
Millions of euros and %.		**31/12/2019**	**30/09/2019**	**30/06/2019**	**31/03/2019**	**31/12/2018**
Available capital (amounts)						
1	Common Equity Tier 1 (CET1) capital	3,544	3,566	3,462	3,355	3,533
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,445	3,467	3,363	3,257	3,422
3	Tier 1 capital	3,592	3,613	3,510	3,403	3,580
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,493	3,514	3,411	3,304	3,470
5	Total capital	3,892	3,613	3,510	3,403	3,580
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,793	3,514	3,411	3,304	3,470
Risk-weighted assets (amount)						
7	Total risk-weighted assets	22,983	23,495	23,830	23,150	22,871
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangemetns had not been applied	22,819	23,399	23,734	23,054	22,764
Capital ratios						
9	Common Equity Tier 1 (CET1) (as a percentage of the risk exposure amount)	15.42%	15.18%	14.53%	14.49%	15.45%
10	Common Equity Tier 1 (CET1) (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.10%	14.82%	14.17%	14.13%	15.03%
11	Tier 1 (as a percentage of risk exposure amount)	15.63%	15.38%	14.73%	14.70%	15.65%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	15.31%	15.02%	14.37%	14.33%	15.24%
13	Total capital (as a percentage of risk exposure amount)	16.93%	15.38%	14.73%	14.70%	15.65%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.62%	15.02%	14.37%	14.33%	15.24%
Leverage ratio						
15	Leverage ratio total exposure measure	55,844	55,906	55,070	56,893	57,158
16	Leverage ratio	6.43%	6.46%	6.37%	5.98%	6.26%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	6.25%	6.29%	6.19%	5.81%	6.07%

21 ANNEX V: MAP OF CRR ARTICLES

CRR Article	Item	Section
431	Scope of disclosure requirements	1.4 Pillar III Disclosure
432	Non-material, proprietary or confidential information	1.4 Pillar III Disclosure
433	Frequency of disclosure	1.4 Pillar III Disclosure
434	Means of disclosures	1.4 Pillar III Disclosure
435	Risk management objectives and policies	3. Risk Management and Control Policies and Objectives Annual Corporate Governance Report
436	Scope of application	2.3 Scope of application
437	Own funds	4. Own Funds
438	Capital requirements	5. Capital requirements
439	Exposure to counterparty credit risk	5.5 Credit valuation adjustment risk capital requirements 5.6 Procedures applied for the assessmento of the internal capital adequacy 6.2 Credit and counterparty risk exposure 9.1.3 Types of guarantors and counterparty risk in credit derivatives
440	Capital buffers	1.3 Prudential Regulatory Framework 4.2.2 Capital buffers 19. Annex III: Transitional own funds disclosure template
441	Indicators of global systemic importance	N/A
442	Credit risk adjustments	6. Information on Credit and Dilution Risks
443	Unencumbered assets	15. Loaded assets
444	Use of ECAIs	7. Credit risk. Standardized Approach
445	Exposure to market risk	5.2 Market risk capital requirements 10. Information on the market risk of the trading book
446	Operational risk	5.4 Capital requirements for operational risk 11. Methodology applied in the calculation of capital requirements for operational risk
447	Exposures in equities not included in the trading book	12. Information on holdings and equity instruments not included in the trading portfolio
448	Exposure to interest rate risk on positions not included in the trading book	13. Interest rate risk on positions not included in the trading book
449	Exposure to securitisation positions	8. Securitisation transactions
450	Remuneration policy	16. Remuneration Information

CRR Article	Item	Location
451	Leverage	14. Leverage ratio 17. Annex I: Capital instruments' main features of Unicaja Banco Group as at 31/12/2019
452	Use of the IRB Approach to credit risk	N/A
453	Use of credit risk mitigation techniques	9. Credit Risk Mitigation Techniques
454	Use of the Advanced Measurement Approaches to operational risk	11. Methodology applied in the calculation of capital requirements for operational risk
455	Use of Internal Market Risk Models	N/A