Pillar III Disclosure

Unicaja Banco Group

December 2020

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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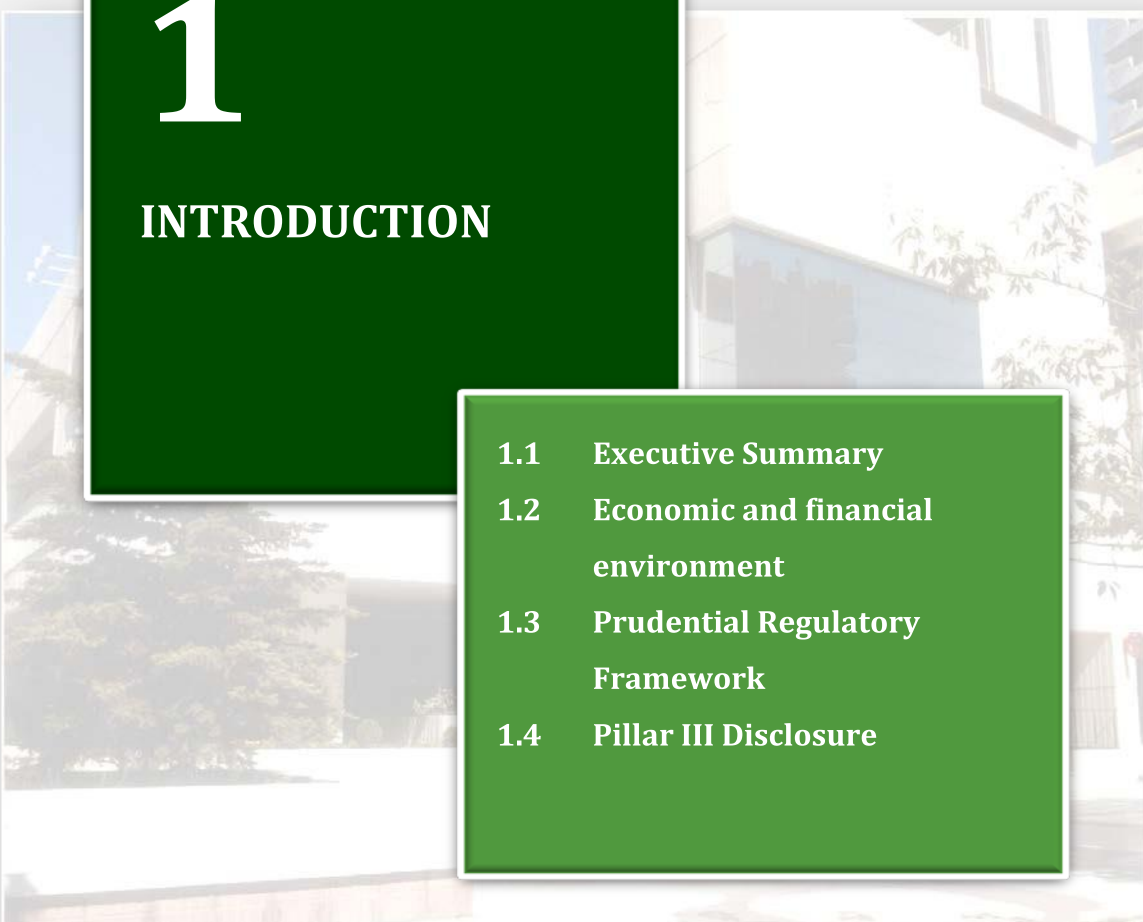

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INTRODUCTION

1 INTRODUCTION

1.1 Executive summary

The objective of Pillar III Disclosure Information of Prudential Relevance is to comply with the requirements of transparency and information to the market of Unicaja Banco Group, established in Part Eight of the European Union Regulation no. 575/2013 of the European Parliament and of the Council (hereinafter Regulation or CRR), on prudential requirements for credit institutions and investment firms. This Regulation together with Directive 2013/36/EU of the European Parliament and of the Council (hereinafter Directive or CRD) on access to the activity of credit institutions and their prudential supervision constitute the applicable solvency and supervisory legislation for European credit institutions.

Part Eight of Title I of the Regulation stipulates 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 disclosure regulations, Unicaja Banco Group has developed this report, which includes the required information.

Unicaja Banco Group maintains its vocation of regional leadership in Andalusia and Castilla y León. At 31 December 2020, the Group had a network of 950 branches: 949 branches in Spain, spread over 38 provinces and in Ceuta and Melilla; and 1 correspondent branch in the United Kingdom.

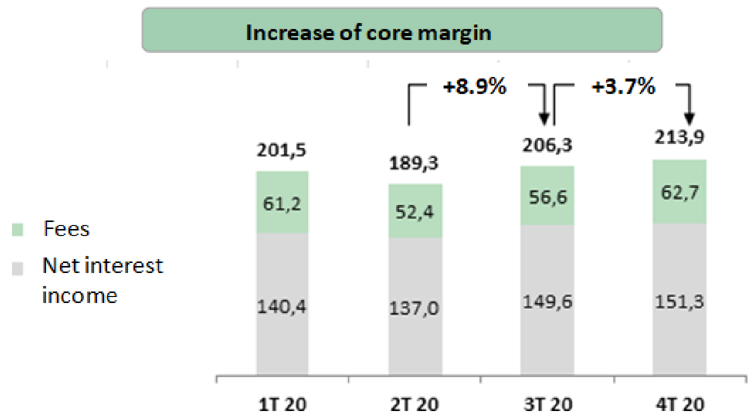
Unicaja Banco Group carries out its activity in commercial, retail and corporate banking, applying sound risk management and control standards, and it finances its lending activity mainly by the attraction of customer deposits and, to a lesser extent, by issuing long-term mortgage bonds. Credit risk and liquidity risk are, as in any credit institution focused on commercial banking, the main risks to be managed by the Group.

The highlights of Unicaja Banco Group in 2020 are described below:

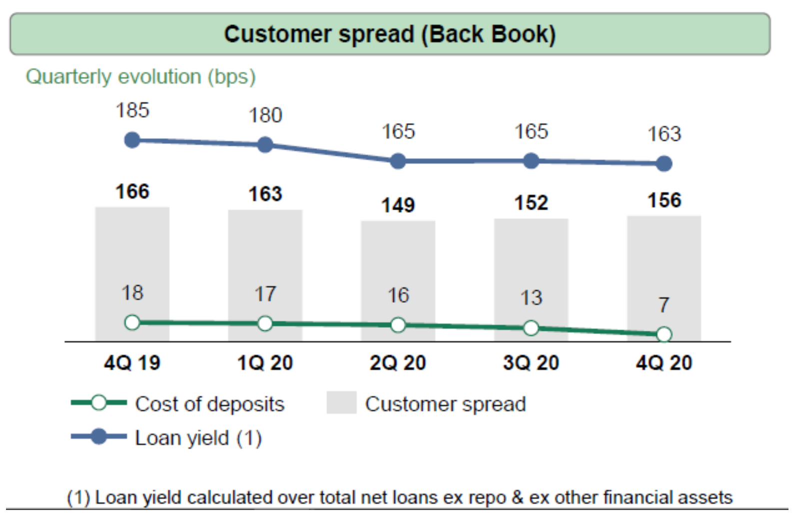
Capacity to generate results

In the current uncertain economic context, Unicaja Banco has given priority to strengthening its good starting position, making extraordinary provisions of 200 million euros in the year to tackle with guarantees the uncertainties about the evolution of the pandemic and its potential impacts, bringing net profit for the year to 78 million euros. The result, without the aforementioned provisions, would have grown by 26.6% year-on-year to 218 million euro, which would have meant an ROE of 5.5%.

The main factors behind these results were the improvement in core revenues (net interest income + net fee income), which increased by 3.7% in the fourth quarter and 8.9% in the third, after the impact of the lockdown in the second quarter, as well as the continued efforts to contain expenses and the high levels of loan-loss provisions, which kept recurring provisioning requirements low.

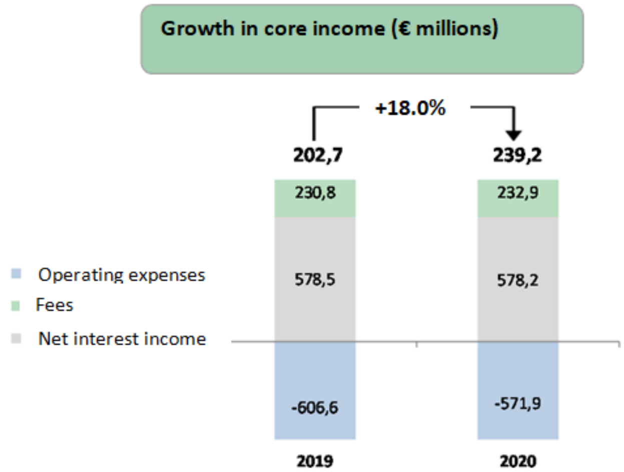


In line with the above, net interest income increased substantially in the third and fourth quarters, by 9.2% and 1.1%, respectively, with an improvement in both retail and wholesale funding costs. The decline in retail costs, stemming from the maturity of high-cost term liabilities, which will continue until mid-2021, contributed, together with the maintenance of the profitability of credit, to the improvement in net interest income for the second quarter in a row.

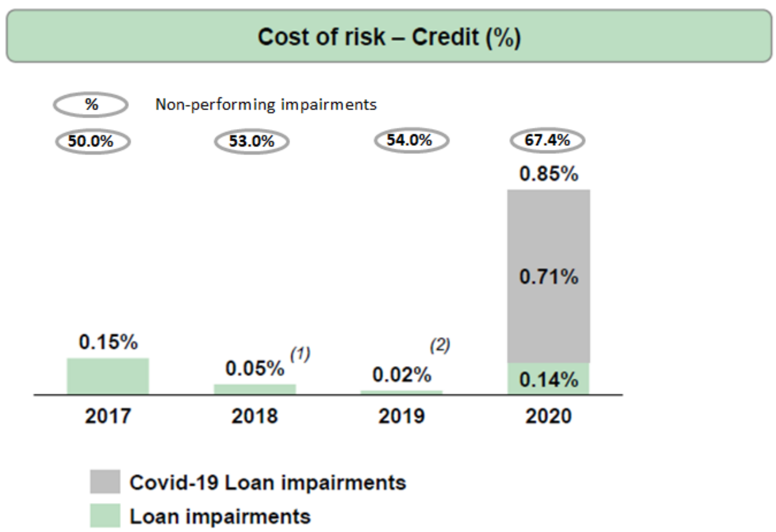


In addition, fee income increased by 10.7% in the fourth quarter, compared to an increase of 8.1% in the previous quarter, driven by collection and payment services, as well as by the higher contribution of mutual funds and insurance to securities and non-financial products.

Another fundamental aspect of the year's management was the containment and reduction of operating expenses, which were reduced by 5.7%. As a result, the entity's core income grew by 18.0% compared to the previous year, from 203 million euros to 239 million euros.



Excluding the aforementioned extraordinary provisions of 200 million for COVID, the cost of ordinary risk stands at a low level of 14 basis points (b.p.), as in previous years. This trend in ordinary loan-loss provisions reflects the quality of the bank's assets and the continued decline in non-performing assets.

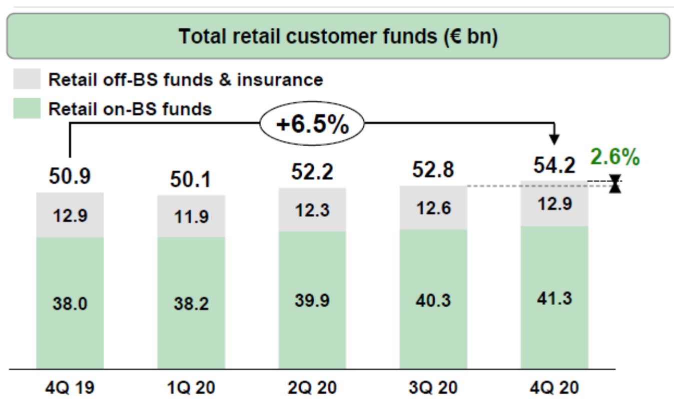


(1) Adjusted by written-offs sales. In 2018 cost of risk without adjustment represents -0.01%
(2) Excluding the impact from the NPL portfolio disposal, including the disposal the cost of risk represents 0.04%

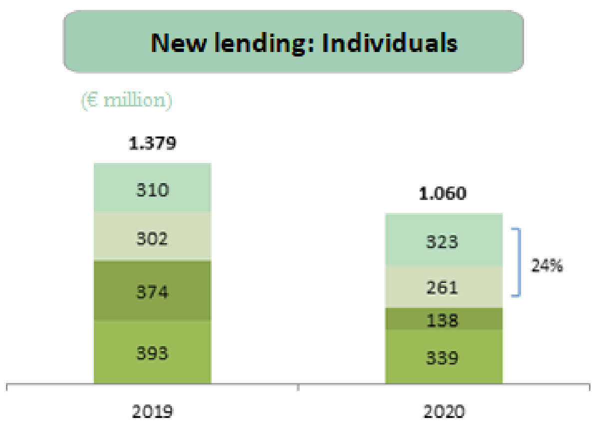
Boosting commercial activity: growth in lending and customer funds gathering

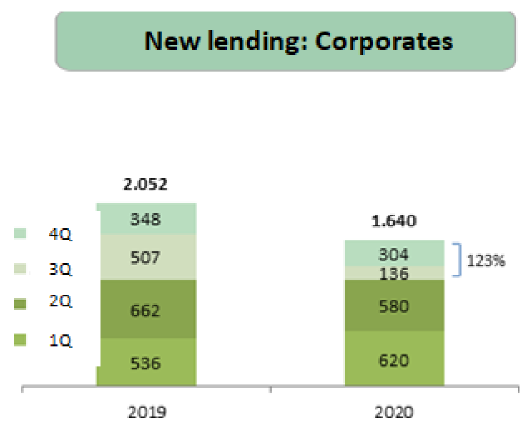
The Group's commercial activity, although impacted by the COVID-19 crisis, began to recover in the third quarter. Non-performing loans grew by 0.8% in the fourth quarter, leaving the year-on-year change at -0.2%, with significant increases in lending to public administrations (+18.9%) and companies (+5%), and declines in loans to individuals, despite the growth in new lending in this segment in the last two quarters.

Customer funds increased by 6.5% in the last 12 months and by 2.6% in the fourth quarter. On-balance sheet customer funds were also positive, growing by 8.7% year-on-year, with notable increases of 14.5% in demand deposits and 16.1% in deposits with the public sector and 16.1% in deposits from the public sector, respectively. Off-balance sheet funds and insurance also increased by 2.6% in the last quarter, enabling them to surpass the balances of the previous year (+0.2%), after the negative impact of COVID-19 on balances in this section in the first quarter.



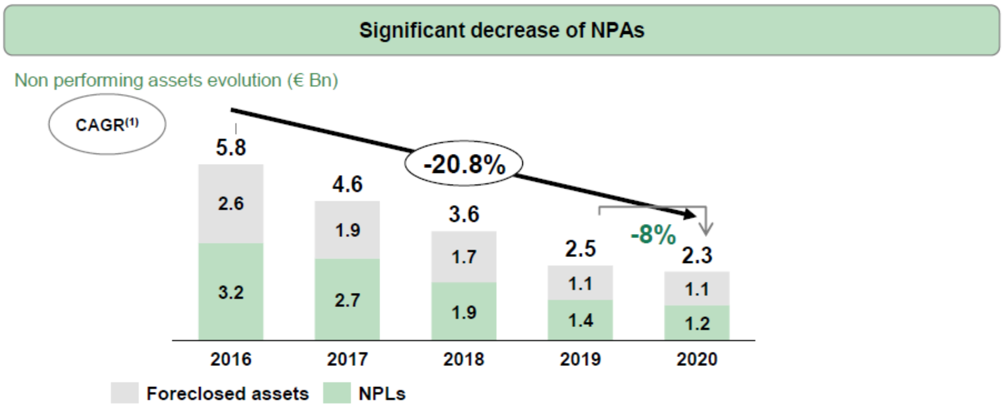
Although the COVID-19 pandemic has affected the evolution of new lending, it recovered in the fourth quarter in both the private and corporate segments, with growth of 24% and 123% respectively.



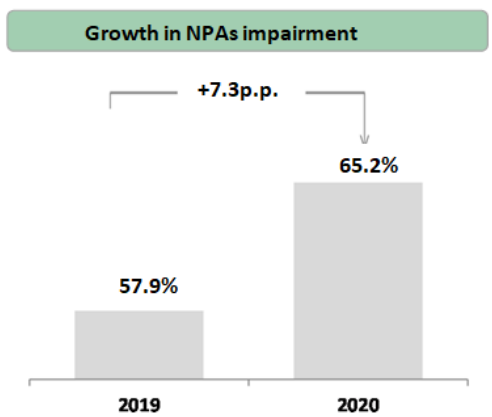


The reduction in non-performing assets continues, with a high level of coverage

The bank was able to continue to steadily reduce its non-performing assets (NPAs) (non-performing loans plus foreclosed real estate) by 198 million euros (-8.0%) in the last 12 months, with declines of -12.6% in non-performing assets and -2.5% in foreclosed assets. The Group's balance of non-performing assets at the end of 2020 declined to 1,181 million euros and foreclosed properties to 1,091 million euros. The fall in non-performing loans resulted in a decline in the NPL ratio of 0.6 percentage points (p.p.) in the last 12 months to 4.2%. Non-performing assets also declined in the fourth quarter (-5.6%).



Also noteworthy is the substantial increase in the already high coverage levels in this context of uncertainty. The NPA coverage ratio increased by 7.3 p.p. from the same quarter of the previous year and by 0.8 p.p. in the last quarter, to 65.2%. This increase was mainly due to the extraordinary provisions made to anticipate the foreseeable negative consequences of the pandemic on asset quality, although the bank's NPL ratio continues to fall.

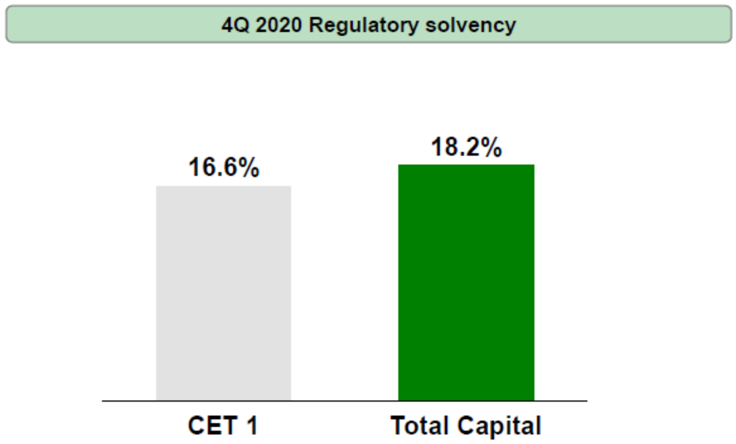


As a result, the balance of non-performing assets, net of provisions, at EUR 790 million, represented only 1.2% of the Group's assets at the end of the fourth quarter of 2020, down -0.6 p.p. in the last 12 months.

High solvency levels and comfortable liquidity

In terms of solvency, at the end of 2020, Unicaja Banco Group strengthened its position, with a Common Equity Tier 1 (CET-1) ratio of 16.6% and total capital of 18.2%, among the highest in the sector, and with an increase of 1 p.p. in both ratios compared to the same period of the previous year. As a result, the excess over SREP total capital requirements increased to 1,332 million euros.

In terms of *fully loaded* (as calculated after the end of the transitional period for the application of solvency regulations), Unicaja Banco's CET-1 ratio stands at 15.0% and total capital at 16.6%, both of which are 1.0 and 1.1 p.p. higher than in the same period of the previous year, respectively.



The positive levels of coverage, solvency and balance sheet quality are also reflected in a further improvement in the Texas ratio (an indicator that measures the percentage of non-performing and foreclosed assets in relation to the aggregate of capital and provisions for non-performing and foreclosed assets). The ratio improved to 42.4%, down 4.4 p.p. year-on-year.

On the other hand, Unicaja Banco maintains solid levels of liquidity, as well as a high degree of financial autonomy. In this regard, available liquid assets (mostly public debt) and those discountable at the ECB (European Central Bank), net of assets used, amounted to EUR 16,845 million at December 2020, 25.7% of the Group's balance sheet total. Customer funds with which the bank is financed also far exceeded its lending, as reflected in the ratio of loans to deposits (Loan to Deposit, LTD), which stood at 65.2%. Lastly, the regulatory LCR ratio, which measures the volume of liquid assets available to the bank over the net outflows of funds in the next 30 days, was 310% in December, equivalent to more than three times the regulatory limit of 100%.

Excess capital and liquidity place Unicaja Banco in a solid position to face the uncertainties that the evolution of the pandemic continues to pose and allows the bank to continue to play a relevant role in supporting its customers.

Boosting digital banking with focus on the customer

During the fourth quarter of the year, Unicaja Banco continued to work on the development and implementation of its Strategic and Transformation Plan, which includes, among others, the transformation and commercial dynamisation plans designed with customer service in mind.

As part of the ongoing transformation plan, Unicaja Banco has continued to make progress in digital banking and has maintained its trend of attracting online customers and has launched its new digital banking (web and app), with a special focus on the user experience.

The number of digital customers (web and app) at the end of the fourth quarter of 2020 represented 54.4% of the total. With regard to the channels used by customers, of all the financial transactions and queries recorded, the greatest weight last year corresponded to digital transactions, both via web and the mobile app (56% of the total); 22% took place via POS; 16% in branches, and 6% in ATMs.

At the end of 2020, total customer connections in digital channels increased by 26% compared to 2019, with the mobile channel up 38%. The year-on-year change in the last quarter of the year was 27% (over the same quarter in 2019), with mobile connections up 37%. Mobile connections accounted for 77% of the total last year, an increase of 6.5 p.p. over 2019.

In 2020, transactions in digital channels grew by 20% compared to 2019, with an increase of 38% in the mobile channel. The year-on-year change in the last quarter was 27%, with a 47% increase in mobile transactions. Precisely, the latter accounted for 65% in 2020; i.e. 8.6 p.p. more than in 2019.

Amounts transacted in digital channels increased by 22% in 2020 compared to 2019.

Moreover, the number of Bizum customers grew by 142% in the last year, with an increase in transactions of 295% and a monthly activity rate of 83%.

Also, as part of the transformation plan, the bank continued to work on a more advanced use of technology, both to provide better customer service and relations and to incorporate greater efficiency in internal operating processes. Thus, the last quarter of the year saw the launch of the new digital banking system (website and Unicaja Banco app), which aims to facilitate the daily management of customers, being more intuitive and accessible from any device, with new functionalities and a revamped design. Both the website and the app currently coexist with the classic versions in both channels, while the UnicajaMóvil and Unipay apps are still available.

The expansion of processes and customer segments incorporated into 'Unicaja Escucha', a customer experience improvement programme, also continues.

In terms of commercial offering, 2020 was an important year for the development of green and financially sustainable products, such as the Préstamo Motor Eco Verde, the bank's first sustainable loan for the purchase of environmentally friendly vehicles, and Unifond Sostenible Mixto Renta Variable, FI, launched by Unigest, Unicaja Banco Group's fund manager, which is its first socially responsible investment fund. This is a line of products on which the bank plans to continue working as part of its Sustainable Finance Action Plan.

Support for individuals, the self-employed and businesses in the context of COVID-19

In the context of the COVID-19 pandemic and as it has been doing since its inception, Unicaja Banco has continued to promote actions to reactivate the economy and support families and companies. In this regard, during the last quarter of 2020 it continued to participate in measures to grant liquidity and financing with guarantees from the State, the Regional Government of Andalusia, the Government of Extremadura and specialised companies such as Garántia, Iberaval and Extraval.

So far, the institution has approved more than 12,500 applications for loans with ICO guarantees for the self-employed and companies, for an amount of 900 million euros, and has processed more than 23,800 applications for moratoriums, both legal and sectorial, on mortgage and personal loans, which affect a current volume of credit of approximately 860 million euros, of which only around 570 million remain in force.

To help vulnerable groups and adapt to the needs of customers, the bank continues to advance the payment of pensions and unemployment benefits, or with the possibility for life and accident insurance policyholders to pay their insurance premiums in instalments without surcharges.

Merger plan approved

On 29 December 2020, the Boards of Directors of Unicaja Banco and Liberbank approved the Common Draft Terms of Merger, the implementation of which will entail the absorption of Liberbank by Unicaja Banco.

Likewise, on 25 February 2021, the Boards of Directors of Unicaja Banco and Liberbank both called Extraordinary General Shareholders' Meetings, which are scheduled to be held, on second call, on 31 March, to submit the Common Draft Terms of Merger for approval.

Once approval is obtained from both Shareholders' Meetings, the execution of the transaction will be subject to obtaining the necessary regulatory authorizations.

Further information can be found on Unicaja Banco website, in the Investors and Shareholders/Inside Information section of the main menu (www.unicajabanco.com/es/inversores-y-accionistas).

Progress in sustainable finance

Unicaja Banco has continued to carry out Corporate Social Responsibility (CSR) and sustainable and responsible banking actions throughout the last quarter of 2020, specifically, the work for the implementation of the 'Sustainable Finance Action Plan' has continued. The purpose of this plan, comprising 21 measures, is to organise Unicaja Banco's transition towards a model that includes sustainability-related aspects in four areas (business models and strategy; governance and risk appetite; risk management, especially climate and environmental risks, and information disclosure).

1.2 Economic and financial environment

Expectations have improved in recent weeks, mainly as a result of the progress made in the generation and distribution processes and the start of the vaccination process against Covid-19, although a high degree of uncertainty persists. Part of the jobs destroyed have been recovered and a large part of the productive fabric has been preserved and, although the situation continues to be delicate, the economic and social impact has been partially alleviated thanks to the measures implemented by the different public administrations.

In the last quarter of 2020, the recovery in activity that began in the summer period is reported to have slowed, due to outbreaks of the virus, which have had a greater impact in Europe and North America. In its latest Economic Outlook report, the OECD estimates that activity will remain limited and that social distancing and partial border closures are likely to continue throughout the first half of 2021, with the economy gradually gaining momentum as the vaccines are applied in all OECD countries. The OECD forecasts a global economic growth of 4.2% in 2021, after a similar decline in 2020, with China accounting for more than a third of this growth.

The recovery will be uneven across countries, although the outlook remains unusually uncertain, with both upside and downside risks. Global growth could reach 5% in 2021 if vaccination campaigns are efficient and cooperation between countries boosts consumer and business confidence, leading to a rebound in spending and production (reduced savings rates and possible pent-up demand), but could also be reduced by around 2.7 percentage points (p.p.) if there are problems with distribution and the vaccination process.

In this context, the OECD considers it necessary to strengthen public health services by investing in human resources, developing prevention strategies, implementing effective screening and isolation programmes, planning vaccination campaigns, without forgetting international cooperation, as well as supporting the most vulnerable population. The organisation also stresses the need to support companies with measures that do not lead to an increase in their debt, in addition to promoting digitalisation.

The projected fall in 2020 will be more intense in the Eurozone. The decline projected by the European Commission is smaller than the forecast made in the summer (-8.7%), while growth in 2021 is expected to be 4.2%, around 2 p.p. lower than in the previous projections. Moreover, higher social spending and lower tax revenues are expected to lead to a sharp increase in the government deficit, so that the public debt-to-GDP ratio could rise to 102.6% in 2022, from 85.9% in 2019.

However, these projections are also subject to a degree of uncertainty. The EU's recovery programme (NextGenerationEU) could lead to a stronger-than-expected boost to the economy, as the projections have only partly been able to incorporate the potential benefits of these initiatives, given that the information available on national plans is limited. Also, an EU-UK trade agreement would have a positive impact on the EU economy from 2021 onwards, compared to the baseline scenario (World Trade Organisation Most Favoured Nation rules).

As it has been pointed out, the economic impact of the pandemic, although generalised, shows significant differences between countries, conditioned by the spread of the virus, the measures put in place to contain it or the sectorial structure of the economies themselves. In this sense, the Spanish economy, with a greater weight of the tourism sector and activities that require more social interaction, and a high incidence of the pandemic, will be the one to record the greatest fall in production in the EU in 2020, although it will also be one of those that will grow the most in 2021.

Specifically, GDP could fall by 12.4%, according to the Commission's latest projections, being the only large economy, along with the United Kingdom, where the outlook has worsened compared to the summer forecast. Likewise, the unemployment rate could rise to around 18% in 2021, the public deficit will exceed 12% in 2020 and public debt will continue to rise to 123.9% in 2022.

This decline forecast for 2020 is somewhat sharper than that estimated by the Government, which in mid-October revised its projections for the two-year period 2020-2021, to be included in the draft General State Budget 2021. GDP is estimated to fall by 11.2% in 2020, which represents a downward revision of 2.0 p.p. with respect to the estimate made last April, mainly due to the evolution of the second quarter, weighed down by the weakness of consumption and investment, as a result of the measures to reduce mobility. As for 2021, growth is estimated at 7.2%, excluding the additional effects of the Next Generation EU plan, which could boost growth by more than 2 p.p. in 2021, with a greater dynamism of investment, private consumption, exports and employment.

The impact of these European funds would be somewhat more moderate (around 1.3 p.p. in 2021) according to estimates by the Bank of Spain. The latest projections by this body point to a fall in GDP in 2020 of between 10.7% and 11.6% depending on the scenario considered (mild, central and severe), although in any of these scenarios this contraction would be followed by a relatively strong recovery in the following two years. The scenarios differ fundamentally in the behaviour of the pandemic in the short term, the measures to contain it, the adaptation of agents to the crisis and the persistence of its effects in the medium term. For their part, the three scenarios incorporate the implementation of spending projects under the European Next Generation EU (NGEU) programme.

As for 2021, the recovery of activity is quantified at 6.8% in the central scenario, 8.6% in the mild scenario and 4.2% in the severe scenario. In any case, the recovery to the pre-COVID-19 GDP level would be delayed until mid-2023 in the central scenario, while in the severe scenario GDP would still be almost 3% below the end-2019 level. Moreover, by the end of 2023 the unemployment rate would still be above 14% in the central scenario, somewhat above its pre-crisis level, despite the downward path from the second half of 2021.

The risks to growth in the central scenario have moderated according to this body, although they remain on the downside, due to the possibility of a more unfavourable epidemiological evolution than considered in this scenario, which would require containment measures with a greater impact on the "social industries". This would be compounded by the existing uncertainty regarding the impact of the NGEU, the persistence of the effects of the crisis on productive capacity (structural changes, potential growth, etc.) or external geopolitical factors, such as Brexit or the fiscal and foreign policy applied by the new US Administration.

With regard to the assumptions used to draw up these projections, it should be noted that the price of oil, which in 2020 would average 41.6 dollars per barrel, would raise to 44 and 45.7 dollars, respectively, in 2021 and 2022, values somewhat lower than those estimated in the September projections. With regard to interest rates, the three-month Euribor is expected to stand at around -0.5%. For its part, the yield on Spanish ten-year government bonds would be between 0.2% and 0.5% in annual average terms.

With regard to monetary policy, the Governing Council of the European Central Bank decided at its December meeting to extend its debt purchase programme, among other measures, with the aim of maintaining favourable financing conditions to support the economic activity. The interest rate on the main refinancing operations remains unchanged at 0.00%, the marginal lending facility at 0.25% and the deposit facility at -0.50%. In addition, the Council decided to increase the allocation for the Pandemic Emergency Purchase Programme (PEPP) by 500 billion euros to a total of 1.85 trillion euros, extending the horizon for net purchases until at least the end of March 2022. In any case, net purchases will be made until the coronavirus crisis phase is considered to be over.

Looking at the most recent data from Spain's Quarterly National Accounts, the figures for the third quarter of 2020 show that GDP fell by 8.7% year-on-year (-21.5% in the second quarter), twice as much as in the Eurozone as a whole (-4.3%), although production increased by 16.7% compared with the second quarter. Domestic demand moderated its negative contribution to growth, subtracting 7.8 p.p. from growth, after household consumption increased by more than 20% in the quarter and investment by almost 20%, with a greater increase in capital goods and machinery. However, compared with the third quarter of 2019, household consumption has decreased by 10.4%, while investment has fallen by around 12%, exceeding 15% in the case of construction.

Similarly, the contribution of external demand continues to be negative (-0.9 p.p.), although more moderate than in the second quarter, due to the greater decline in exports of goods and services than in imports (-17.0% and -15.7%, respectively, in year-on-year terms). Exports of services fell particularly sharply (-42.8%), compared with a decline of 4.6% in exports of goods, mainly as a result of the negative performance of exports of tourism services (-74.3%), despite strong growth in the third quarter. Exports of non-tourist services also grew in the third quarter, by more than 20%, although in year-on-year terms they accumulated a decline of 20.6%.

On the supply side, Gross Value Added (GVA) has recorded widespread growth in the third quarter, with growth of over 20% in industry and construction. In year-on-year terms, however, the latter sector is the one showing the best performance, with a growth rate of 5.0%, together with the branches, within the services sector, of financial activities and insurance (6.2%) and public administration (1.8%). The rest of the sectors recorded declines, particularly marked in construction (-11.0%) and in services (-9.8%), with double-digit falls in the branches of trade, transport and accommodation and food service activities, artistic and recreational activities and professional activities.

On the other hand, it should be noted that employment in the economy, measured in full-time equivalent jobs, has increased by 16.0% in the third quarter, although it is still 5.5% lower than the employment recorded in the third quarter of 2019, which means around one million fewer jobs in the last year. This decline is somewhat sharper in terms of hours worked (-6.2%), although these have grown by almost 25% between July and September.

This year-on-year decline in employment is somewhat sharper than that estimated by the Labour Force Survey (EPA). Specifically, in the third quarter, the number of employed persons would have stood at 19,176,900, which represents an increase of almost 570,000 employed persons compared with the second quarter (the highest in the series), although compared with the third quarter of 2019 the decline is close to 700,000 employed persons (-3.5%). However, the number of employed persons who actually worked would be 15,584,100 (39.4% of the population over 16 years of age), as around 3.6 million employed persons did not work in the reference week, around 1.1 million less than in the previous quarter. In this quarter, the usual increase in absences from work due to holidays has been offset by the sharp decrease in those who did not work due to redundancy plans or partial unemployment for technical or economic reasons.

The quarterly increase in employment was due to the growth in the number of wage earners (581,200 more than in the second quarter), as the number of self-employed workers fell by 11,500, the former accounting for 84.0% of the total number of employed in Spain. In year-on-year terms, the decline affects both wage earners and self-employed workers, although it is more pronounced in the former case, with the decrease in the number of wage earners with temporary contracts standing out (almost 583,000 fewer than in the third quarter of 2019). By branch of activity, the decline is generalised with the exception of non-market services, real estate, financial and information and communications activities, with the fall in employment in industry (-4.5%), commerce, transport and hotels and restaurants (-8.3%) and artistic and recreational activities (-6.1%) standing out, with the loss of almost 500,000 employed in commerce, transport and hotels and restaurants.

For its part, the labour force increased by almost 925,000 in the third quarter of 2020, increasing the activity rate by more than 2 p.p. to 57.8%, although the number of active people is lower than in the same quarter of 2019 (188,900 fewer active people). The number of unemployed has increased by around 355,000 compared with the second quarter, with around half a million more unemployed than in the third quarter of 2019. The unemployment rate thus stood at 16.3% of the labour force, compared with 13.9% a year earlier.

Social Security enrolment reflects the recovery in employment in the third quarter of 2020 (1.5% compared with the previous quarter), although the number of enrolled workers was 3.0% lower than in the same quarter of 2019. This monthly increase in employment continued in October and November, with the year-on-year decline moderating to 1.8% in November, although the number of workers included in ERTEs (furlough schemes) also increased, coinciding with the outbreaks of the virus and the new restrictions on mobility and activity. Thus, although the number of workers included in ERTEs fell by around 80% with respect to April, in November they increased by 2.5% with respect to October, to 746,900, of which more than half (420,604 workers) were workers in ERTEs under RDL 30/2020.

On the other hand, and with regard to the foreign sector, in the accumulated twelve months to September 2020, the financing capacity of the Spanish economy amounted to 16.3 billion euros, compared with the 29.7 billion accumulated to September 2019. This decline was mainly due to the evolution of the current account balance, which went from 23.7 billion to 12.2 billion, marked by the trajectory of tourism, whose surplus decreased by more than 30 billion euros, which was only partially offset by the evolution of the non-tourist goods and services component.

With regard to more recent data, in November, the Purchasing Managers' Index (PMI) shows a generalised worsening in the main European economies, placing it in the contraction zone (below 50), except in Germany, which contrasts with the evolution in the US, where the index has reached the highest levels since March 2015, and the upswing in China. In the case of Spain, there has also been a decline, with the manufacturing index once again entering the contractionary zone, after the improvement experienced in the previous two months, and the services index remaining far from the 50 level. Likewise, economic sentiment in the Eurozone has declined in November for the first time since April (-3.5 points, to 87.6), while the OECD composite leading indicator (CLI) has declined slightly in France, Italy and Spain, with growth also moderating in Germany.

1.3 Prudential regulatory framework

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

On 26 June 2013, the Basel III legal framework was transposed into European law through Directive 2013/36/EU of the European Parliament and of the Council (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 of the European Parliament and of the Council (known as CRR) on 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 to calculate risk-weighted exposures; Pillar II, which establishes a system of supervisory review of capital adequacy based on risk profile and internal risk management; 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, aimed to restore credibility to the calculation of risk-weighted assets (RWAs) and improve the comparability of bank capital ratios.

At the national level, 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 implementation 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 supervisory 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. 575/2013.

The purpose of 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 on the organisation and discipline of credit institutions. The main aspects covered are access requirements, suitability requirements and corporate governance. It also requires institutions to carry out a self-assessment process of their capital levels, taking into account the nature, scale and complexity of their activities, as well as clarifying the capital buffer regime. The capital buffers it establishes are:

- Capital conservation buffer: to be phased in from 2016.
- Countercyclical capital buffer: this is institution-specific; it starts to be applied in a phased manner as of 2016.
- Buffer for global systemically important entities (G-SIIs) and other systemically important entities (O-SIIs).
- Systemic risk buffer: to be set to cover systemic or non-cyclical prudential macro-risks.

The Bank of Spain has decided to maintain the value of the countercyclical capital buffer (CCB) applicable to Spanish credit institutions' lending exposures in Spain at 0 % during the fourth quarter of 2020.

In addition, Royal Decree 84/2015 develops the scope of the Bank of Spain's supervisory function and the framework for collaboration with other supervisors, in particular with the ECB within the Single Supervisory Mechanism (SSM).

Furthermore, on 9 February 2016 Bank of Spain published Circular 2/2016 of the Bank of Spain to credit institutions on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013, with respect to the options not exercised by the Circulars 2/2014 and 3/2014 of the Bank of Spain. Likewise, Circular 2/2016 develops certain aspects of the transposition of Directive 2011/89/EU of the European Parliament and of the Council of 16 November 2011, as regards the supplementary supervision of financial entities in a financial conglomerate, and introduces the definition of Competent authority, which will be the European Central Bank or Bank of Spain, according to the allocation and distribution of competences established in Regulation (EU) No. 1024/2013, and which is completed in Regulation (EU) No. 468/2014 of the European Central Bank of 16 April 2014.

The final revision texts of the CRR and CRD were published in June 2019:

- Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures reporting and disclosure requirements, and Regulation (EU) 648/2012; and
- Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital preservation measures

Finally, in June 2020, the Regulation (EU) 2020/873 of the European Parliament and of the Council amending Regulations (EU) No 575/2013 and Regulation (EU) 2019/876 as regards certain adjustments in response to the Covid-19 pandemic was published.

1.3.1 Solvency

As indicated above, Regulation (EU) No 575/2013 and Directive 2013/36 (EU), and its subsequent amendments, transpose the solvency regulation, known as Basel III, into European law. The purpose of this regulation is to regulate the levels of capital and the composition of own funds with which credit institutions must operate, as it establishes eligible own funds and additional capital buffer requirements above the minimum regulatory levels.

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

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

In January 2018, the EBA published Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS9 on own funds. These guidelines have been amended by the EBA as of August 2020 to ensure compliance with the *Quick Fix* to Regulation (EU) No 575/2013 in response to the Covid-19 pandemic.

1.3.2 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 excessive leverage in the financial system and complementing the requirements with a risk measure calculated on gross exposure.

In January 2014, the final version of the "*Basel III: leverage ratio framework and disclosure requirements*" was published, with the aim of increasing the prudence of banks 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 as regards the leverage ratio.

On 15 February 2016, the Regulation (EU) 2016/200 laying down implementing technical standards with regard to disclosure of the ratio of institutions, according to Regulation (EU) No 575/2013 was published.

Furthermore, in January 2018, the EBA published Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating the impact of the introduction of IFRS9 on own funds. These guidelines have been amended by the EBA in August 2020 to ensure compliance with the *Quick Fix* to Regulation (EU) No 575/2013 in response to the Covid-19 pandemic.

In addition, in August 2020 the EBA published guidelines on reporting and disclosure requirements for supervisory purposes in accordance with the *Quick Fix* to Regulation (EU) No 575/2013 in response to the Covid-19 pandemic.

The final leverage ratio calibration has been published in the final review of the Basel III framework, defined as a minimum leverage ratio of 3% in Regulation (EU) 2019/876 with entry into force on 28 June 2021.

1.3.3 Liquidity ratios

Part Six, Title I, of Regulation (EU) No 575/2013, introduces the Liquidity Coverage Ratio (LCR). Its objective is to ensure that institutions have a diversified pool of liquid assets that 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 to supplement Regulation (EU) No 575/2013 with regard to liquidity coverage requirement for Credit Institutions. This regulation has applied since 6 February 2015. On 13 July 2018, the Commission Delegated Regulation (EU) 2018/1620 was published amending the Regulation 2015/61 to increase harmonisation with international standards and to facilitate more efficient liquidity management for credit institutions. This Regulation entered into force on 30 April 2020.

Furthermore, Part Six, Title III of Regulation 575/2013 establishes the net stable funding ratio (NSFR) as a complementary measure to the liquidity ratio. Its objective is for institutions to adopt a stable longer-term funding structure (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 objective was to improve the transparency of regulatory funding requirements, reinforce the principles for the appropriate management and supervision of liquidity risk, strengthen market discipline and reduce market uncertainty.

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 what information on ICAAP and ILAAP should be collected by competent authorities.

In accordance with the regulations described above, institutions must determine what liquidity disclosures are being made, including content, granularity, frequency and references. Furthermore, they must assess the impact of the disclosures on the capital and funding objective on the liquidity profile. Deviations between disclosures, internal information (ICAAP-ILAAP) and information reported to competent authorities should also be explained.

Furthermore, in order to further develop liquidity regulation, the EBA published two consultations in 2016 to determine the disclosure of the Liquidity Coverage Ratio (LCR) and Asset Encumbrance. Finally, the final document on the Liquidity Coverage Ratio (LCR) disclosure was published on 8 March 2017.

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

1.3.4 Unencumbered assets

Pursuant to the first paragraph of Article 443 of Regulation (EU) No 575/2013, the European Banking Authority published guidelines on the disclosure of information on encumbered and unencumbered assets on 27 June 2014.

Furthermore, 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.

1.3.5 Bank recovery and resolution

In 2014, with regard 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 (hereinafter BRRD) was approved, establishing a framework for the recovery and resolution of European credit institutions and investment firms.

The objective of the BRRD is to harmonise the procedures for resolving financial institution crises in Europe, minimising the cost to the taxpayer. It also provides Competent Authorities with a set of credible tools to intervene sufficiently early and swiftly in a failing or non-viable institution, to take appropriate recovery or resolution measures and to protect financial stability in all Member States concerned.

The Directive includes the obligation for institutions to maintain a minimum requirement for own funds and eligible liabilities (MREL) so as to ensure their ability to absorb losses. This minimum requirement will be set for each institution by the Resolution Authority and will reflect the resolution strategy that has been deemed appropriate for that institution in accordance with its resolution plan. The Member States will ensure that institutions comply at all times with the minimum requirement for own funds and eligible liabilities. The MREL requirement entered into force in January 2016. However, in view of the large impact of this requirement on banks, the EBA proposed a transitional period for full compliance with these requirements.

The BRRD was transposed into Spanish law by Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment services firms and by Royal Decree 1012/2015 of 6 November 2015.

The main aspects covered by Law 11/2015 include, on the one hand, the creation of the National Resolution Fund and, on the other hand, the instruments that may be used in resolution. The rules on bail-in came 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 Member States of the Eurozone over a transitional phase of 8 years into a European-wide fund (Single European Resolution Fund). This Single Resolution Fund was established by EU Regulation 806/2014 of the European Parliament and of the Council of 15 July 2014 (SRMR), with a funding target of 1% of the guaranteed deposits of credit institutions in the Banking Union, an amount to be reached by 31 December 2023.

In July 2016, the Commission published the Delegated Regulation 2016/1075 on recovery and resolution plans in accordance with the BRRD. This regulation details the content that the plans must contain and the minimum criteria that the competent authority must assess, setting out the bank resolution framework, from the stage of planning the recovery and resolution of an institution, through the early action phase, until the moment the resolution action is taken.

The latest amendments related to resolution include the following:

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) 806/2014 as regards loss-absorbing and recapitalisation capacity of credit institutions and investment firms; and
- Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC.

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 establishes that institutions shall disclose information relevant to the adequacy of their risk profile.

A list of the disclosure requirements of Part Eight of the CRR is presented in Annex V, indicating where in this report or public document of the Group it is complied with.

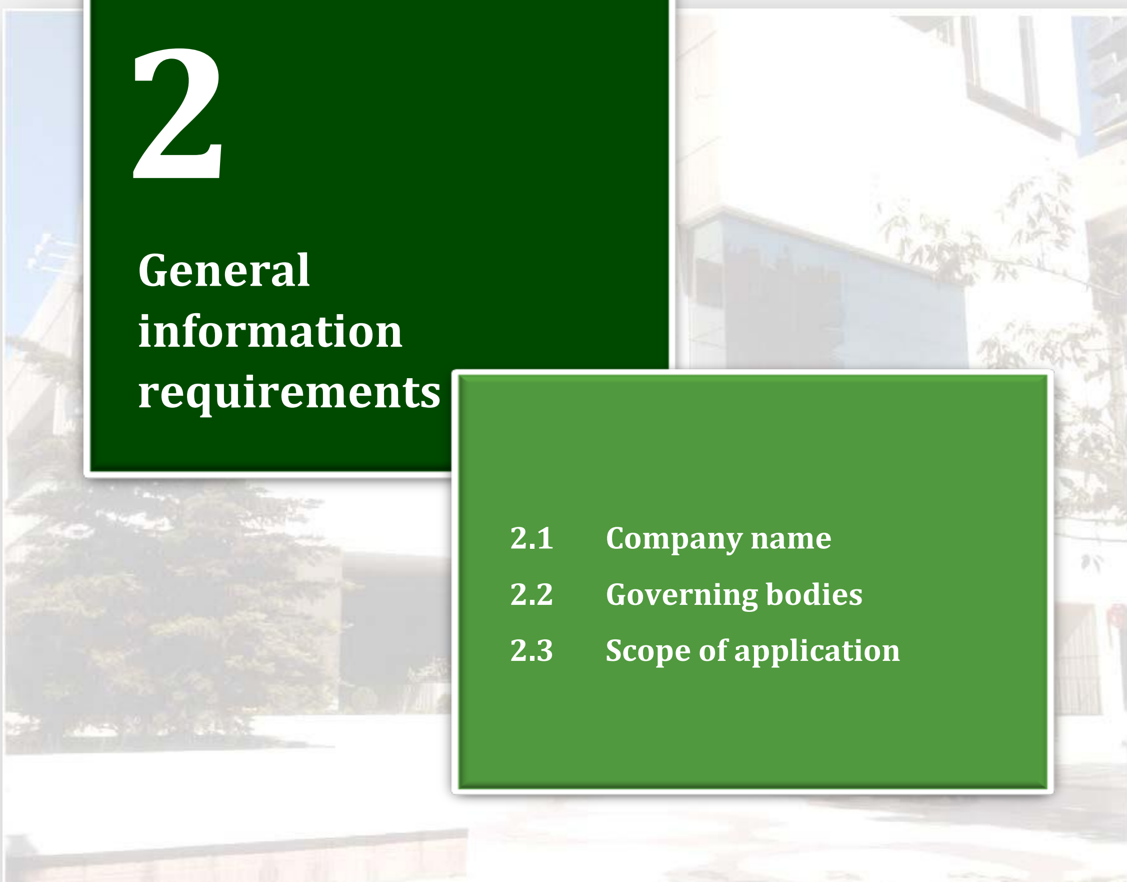
In addition to this regulatory text, in the area of disclosure, the European Banking Authority and the Basel Committee on Banking Supervision have published various standards and guidelines, including the following:

- *"Guidelines on Materiality, Proprietary and Confidentiality and on Disclosure Frequency* (EBA GL/2014/14).
- *"Revised Pillar 3 disclosure requirements*", January 2015 (BCBS). "*Guidelines on sound of Remuneration policy",* December 2015 (EBA/GL/2015/22).
- *"Guidelines on disclosure requirements under Part Eight of Regulation (EU) No 575/2013*" (EBA GL/2016/11).
- "Pillar 3 *disclosure requirements- consolidated and enhanced framework*", March 2017 (BCBS).
- "*Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013*", March 2017 (EBA/GL/2017/01).
- "Pillar 3 *disclosure requirements - updated framework*", December 2018.
- *"Guidelines on disclosure of non-performing and forborne exposure",* December 2018 (EBA/GL/2018/10).
- *"Guidelines on Covid-19 measures reporting and disclosure"*, June 2020 *(*EBA/GL/2020/07).
- *"Guidelines to amend disclosure guidelines* EBA/GL/2018/01", August 2020 (EBA/GL/2020/12).
- *"Guidelines on supervisory reporting and disclosure requirements in compliance with CRR quick fix in response to the COVID-19 pandemic*", August 2020 (EBA/GL/2020/11).

In accordance with Unicaja Banco Group's information disclosure policy, this report, prior to its publication, has been verified by Internal Audit and, with the favourable report of the Audit and Regulatory Compliance Committee, has been approved by the Board of Directors on 26 March 2021.

This "Pillar III Disclosure" may be consulted on the Bank's corporate website www.unicajabanco.com Certain information required by current regulations to be included in this report is presented, in accordance with said regulations, referenced to the consolidated annual accounts and management report of the Unicaja Banco Group for the financial year 2020 (available on the corporate website), as it is contained therein and would be redundant with the same.

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



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General information requirements

2 GENERAL INFORMATION REQUIREMENTS

2.1 Company name

Unicaja Banco, S.A. (hereinafter Unicaja Banco, the Entity, the Bank or the Company) is a credit institution incorporated for an indefinite period of time on 1 December 2011. It commenced its activity as a result 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 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 Bank's corporate purpose is to carry out all kinds 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 the legislation in force.

The Bank's purpose includes the provision of investment services and other services ancillary thereto, as well as the performance of the activities of insurance brokers, as exclusive or related operator, without the simultaneous exercise of both.

The Bank is registered in the Trade Register of Malaga and as a credit institution in the Special Register of the Bank of Spain under number 2103.

The Bank is also the head of a sub-group of subsidiaries engaged in various activities and which make up Unicaja Banco Group, as described in the consolidated financial statements for 2020.

Unicaja Banco S.A. is an Entity subject to the rules and regulations applicable to banks operating in Spain. Additional public information on the Bank can be consulted on its official website (https://www.unicajabanco.com/en).

Further information can be found on the Unicaja Banco website, in the main menu section Institutional/ About Unicaja Banco (https://www.unicajabanco.com/en/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 itself, which contain its rules of operation and internal regulations, those governing the support committees and those governing the conduct of its members.

The Board of Directors has five support committees that supervise, inform, advise and propose matters within their remit: the Audit and Regulatory 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 comprising the corporate governance system, their functions, composition and operation, among others, as well as the policies implemented to ensure the suitability of the members thereof and the policies on diversity, are available in the Annual Corporate Governance Report for the financial year 2020 published on the website of the CNMV (www.cnmv.es) and of the Entity (https://www.unicajabanco.com/en).

2.3 Scope of application

In accordance with article 436 of the 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 annual accounts for 2020 provide a breakdown of the companies included in the scope of public consolidation, indicating, inter alia, their method of integration and their principal activity.

The main differences regarding the scope of consolidation and the different consolidation methods applied between the public consolidation scope applied in the consolidated annual accounts and defined in accordance with the provisions of International Financial Reporting Standards as adopted by the European Union (hereinafter IFRS-EU) and the prudential consolidation scope, as defined in Chapter 2 of the Regulation (EU) No 575/2013, are summarised below:

- **Subsidiaries**. In preparing the consolidated annual accounts of Unicaja Banco Group, all subsidiaries have been 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 prudential solvency requirements, in the consolidated information corresponding to Unicaja Banco Group, only subsidiaries that 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 flue consolidated.

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

In accordance with the aforementioned criteria, the detail at 31 December 2020 of the subsidiaries of Unicaja Banco Group, to which the full consolidation 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
Banco Europeo de Finanzas, S. A	Credit institution	100%
Gestión de Inmuebles Adquiridos, S.L.U.	Real estate development	100%
La Algara Sociedad de Gestión S.L.U.	Real estate development	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 and litigation management activity	100%
Unicorp Patrimonio, Sociedad de Valores, S.A.U.	Asset management	100%
Unigest, S.G.I.I.C., S.A.U.	Collective investment undertaking manager	100%

- **Joint ventures (jointly-controlled entities).** In preparing the consolidated annual accounts of Unicaja Banco Group, the jointly-controlled entities have been valued using the equity method. For the purposes of preparing solvency information, holdings in jointly-controlled entities have been consolidated using the proportional integration method, except for those not eligible for consolidation due to their activity, which have been valued using the equity method.

The detail at 31 December 2020 of Unicaja Banco Group's jointly-controlled entities to which the proportional consolidation method has been applied for the purpose of preparing the prudential consolidated information is shown below.

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

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

- **Subsidiaries or jointly-controlled entities which are not consolidated or deducted.** The following are the subsidiaries or jointly-controlled entities of Unicaja Banco Group which, in the preparation of the information for solvency purposes, have not been fully or proportionally consolidated and which have not 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.	Study and analysis of economic activity	100%
Andaluza de Tramitaciones y Gestiones, S.A.U.	Management and settlement of documents and deeds	100%
Dolun Viviendas Sociales, S.L.	Real estate development	40%
Espacio Medina, S.L.	Real estate development	30%
Lares Val de Ebro, S.L.	Real estate development	33.33%
Muelle Uno - Puerto de Málaga, S.A.	Real estate development	39.74%
Parque Industrial Humilladero, S.L.	Industrial land development	89.77%
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	61.66%
Unimediación, S.L.U.	Insurance brokerage	100%
Uniwindet, S.L.	Renewable energies	100%
Viproelco, S.A.U.	Real estate development	100%

At 31 December 2020, there are no non-consolidated subsidiaries with own funds below the minimum required by applicable regulations.

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

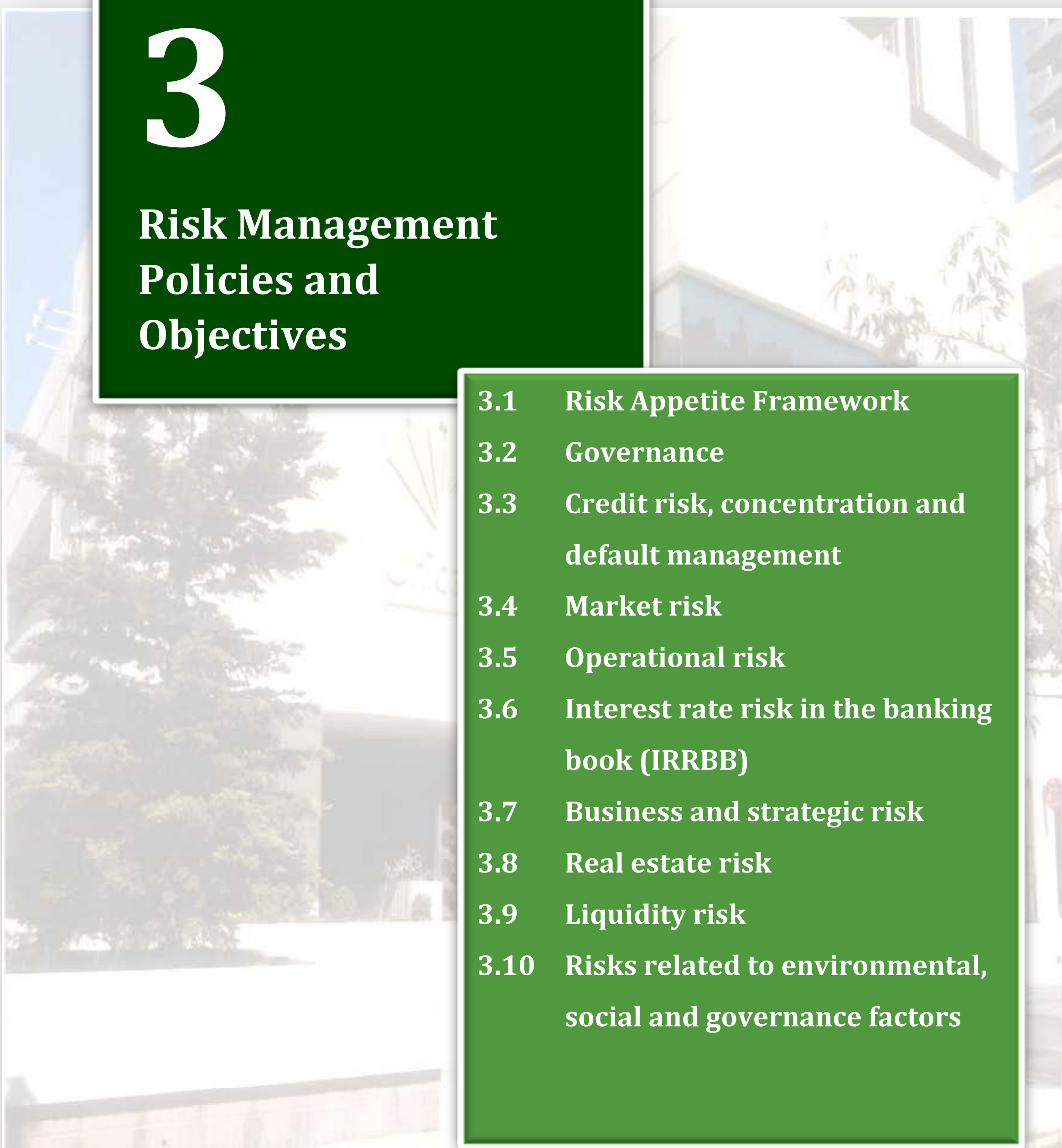
- Companies deducted from Tier I capital: The holdings owned by Unicaja Banco Group at 31 December 2020 that are considered significant holdings in accordance with article 43 of Regulation 575/2013, and are therefore subject to deduction from Common Equity Tier 1 capital (CET 1) are: Unión del Duero, Compañía de Seguros de Vida, S.A., Unicorp Vida, Compañía de Seguros y Reaseguros S.A, Mastercajas, Ahorro Andaluz S.A. and Inversiones Alaris, S.L.

Annexes I, II and III of the notes to the consolidated annual accounts of Unicaja Banco Group list the Group companies, jointly-controlled entities and associates at 31 December 2020.

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

Table 4: Reconciliation between the public and the reserved balance sheet as at 31 December 2020

Data as at 31 Dec. 20*(Thousands of euros)*	Public Balance Sheet	Reserved Balance Sheet	Difference
Cash, cash balances at central banks and other demand deposits	6,667,189	6,666,621	568
Financial assets held for trading	192,834	177,880	14,954
Derivatives	*5,916*	*5,916*	*-*
Equity instruments	*14,954*	*-*	*14,954*
Debt securities	*171,964*	*171,964*	*-*
Non-trading financial assets mandatorily measured at fair value through profit or loss	91,279	91,279	-
Debt securities	*91,279*	*91,279*	*-*
Financial assets at fair value through other comprehensive income	1,494,464	777,212	717,252
Equity instruments	*403,005*	*387,950*	*15,055*
Debt securities	*1,091,459*	*389,262*	*702,197*
Financial assets at amortised cost	51,548,558	51,521,094	27,464
Debt securities	*22,157,383*	*22,157,383*	*-*
Loans and advances	*29,391,175*	*29,363,711*	*27,464*
Derivatives - hedge accounting	617,130	615,801	1,329
Investments in subsidiaries, joint ventures and associates	361,830	506,302	-144,472
Assets created by insurance or reinsurance contracts	1,831	-	1,831
Tangible assets	1,144,501	1,143,600	901
Intangible assets	74,095	29,515	44,580
Tax assets	2,741,136	2,700,696	40,440
Other assets	365,102	405,949	-40,847
Non-current assets and disposal groups that have been classified as held for sale	244,316	244,316	-
TOTAL ASSETS	**65,544,265**	**64,880,265**	**664,000**
Financial liabilities held for trading	11,634	11,857	-223
Financial liabilities measured at amortised cost	59,052,887	59,047,903	4,984
Deposits	*57,504,176*	*57,528,786*	*-24,610*
Debt securities issued	*362,926*	*362,926*	*0*
Other financial liabilities	*1,185,785*	*1,156,191*	*29,594*
Derivatives - hedge accounting	609,030	609,030	0
Liabilities created by insurance or reinsurance contracts	612,472		612,472
Provisions	798,622	795,647	2,975
Tax liabilities	257,941	204,376	53,565
Other liabilities	196,487	206,748	-10,261
TOTAL LIABILITIES	**61,539,073**	**60,875,561**	**663,512**
TOTAL EQUITY	**4,005,192**	**4,004,704**	**488**



3

Risk Management Policies and Objectives

3 RISK MANAGEMENT AND CONTROL POLICIES AND OBJECTIVES

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

- A system of governance and organisation of the risk function, based on the active participation and supervision of the senior management, which approves the Entity's general business strategies and policies, and sets the general lines of risk management and control.
- A Risk Appetite Framework (RAF), which is a key instrument within the Group for implementing risk policy.
- A model of prudent management of risk exposure in which Unicaja Banco Group pays rigorous attention to maintaining a prudent and balanced risk profile at all times, 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 the 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 global risk management and control are approved and periodically reviewed by the Bank's Board of Directors.

The main objective of risk management and control is to preserve the Group's financial and asset soundness through the application and monitoring of appropriate controls, policies and the development of the Risk Appetite Framework, organised under the three lines of defence model:

- The first line consists of the operational areas, business lines or support units, as well as the risk areas that directly give service to the business. These areas report directly to the CEO and must comply with the risk frameworks, policies and procedures established by the Board of Directors.
- The second line of defence is made up of the areas that control and supervise risks, being integrated by the Global Risk Control Corporate Directorate together with the Regulatory Compliance Division.

  In the risk management and control system implemented at Unicaja Banco, the second line of defence provides independent assurance to the Risk Committee, the Audit and Regulatory Compliance Committee and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes, thereby helping the Board and Senior Management to protect its organisation and reputation.

  The Global Risk Control Corporate Directorate has sufficient authority to adequately perform its functions, with access to all the Entity's business lines, as well as with direct access to the Risk Committee and the Board of Directors, and sits on the Strategy and Transformation Committee and the Management Committee, among others.
- The third line of defence is the internal audit function through the Audit and Regulatory Compliance Committee.

Further information on the functions can be found on the Bank's corporate website, in the main menu section on Corporate Governance and Remuneration Policy/Organisational Structure of the Bank.

The Entity also has a structure of internal committees, including the following, among others:

- Strategy and Transformation Committee

- Management Committee
- Committee on Assets, Liabilities and Budget (COAPP)
- Treasury Committee
- Business Committee
- Credit Committee
- Real Estate Committee
- Risk and Capital Committee
- Regulatory Compliance Committee

On the basis of the above, the Board of Directors declares that the risk management systems in place are considered adequate in relation to the Group's profile and strategy.

Likewise, the Board of Directors of Unicaja Banco Group declares that the Entity maintains a prudent and balanced risk profile, based on its business model, preserving the solvency, profitability and liquidity objectives set out in the Risk Appetite Framework.

The main figures reflecting the Group's risk profile are included in the consolidated Management Report. The most relevant indicators of Unicaja Banco Group's risk profile at 31 December 2020 are summarised below:

- Non-performing loans ratio: 4.2%.
- NPA coverage ratio: 65.2%.
- Leverage ratio: 6.1%.
- CET1 ratio (*phase-in*): 16.6%.
- Total capital ratio (*phase-in*): 18.2%.
- Liquidity Coverage Ratio (LCR): 310%.

3.1 Risk Appetite Framework

The risk management and control of Unicaja Banco Group is organised, among others, through the Risk Appetite Framework (RAF), 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 to: (i) formalise the risk appetite statement; (ii) specify the Group's risk objectives in line with the corporate strategy, acting as a guiding reference for the activities carried out; (iii) formalise the risk supervision and monitoring mechanism, so as to ensure compliance with the risk appetite; (iv) integrate all risk control and management processes into a common framework and (v) reinforce and disseminate the risk culture. The development of this Framework as the Group's general risk policy is a fundamental element in the Entity's management and control, providing the Board of Directors and Senior Management with a 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 level of tolerance, 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 within the desired risk appetite level, defined on the basis of the established limits, and to implement the management measures considered most appropriate to achieve this.

In addition, this Framework establishes different metrics for the quantification, control and monitoring of risks, which make it possible to react to certain levels or situations. These metrics characterise the objective behaviour of Unicaja Banco Group, are transversal to the organisation, and enable the risk-prone culture to be transmitted to all levels in a systematised and understandable way. In turn, they summarise the Group's objectives and limits, making them useful for communication, where appropriate, to stakeholders, and they are homogeneous, as they are applied throughout the organisation.

The Group has a process for identifying material risks that establishes methodologies for quantifying all the risks to which the Entity is exposed. It also defines criteria for selecting those risks that are material and, therefore, must 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 buffers, assessed within the Internal Liquidity Adequacy Assessment Process (ILAAP). The process of quantification and identification of material risks is performed on a recurring basis, enabling the Entity to identify emerging risks at all times.

For both the capital and liquidity self-assessment processes, the Entity assesses variations 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 governing bodies with the necessary insight of Unicaja Banco Group resilience 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 to establish target thresholds, early warnings and limits.

In particular, for those risks that have regulatory levels (for instance, capital and liquidity ratios), a framework of internal limits is established that is more demanding than the existing regulatory limits, with the objective of ensuring adequate compliance with regulatory requirements and allowing a buffer for risk management.

In addition, between the target and the limit, the Entity establishes early warning levels, so that risk levels are continuously measured and monitored, enabling it to detect and react sufficiently in advance if limits are exceeded.

The Global Risk Control Corporate Directorate monitors compliance with the Risk Appetite Framework through the existing metrics for each type of risk. The monitoring of those metrics is reported to the Senior Management and the Governing Bodies.

Lastly, the Entity has integrated the Risk Appetite Framework with the strategy, ICAAP, ILAAP, 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, as well as 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 organisational structure. This requires the effective involvement of the Board of Directors and Senior Management, as well as adequate coordination throughout the Organisation.

Below is a list of the bodies directly involved, indicating their main functions and responsibilities related to risk management and control, without prejudice to the other functions provided for by law, the Bylaws and in 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 Entity's Board of Directors. The main functions attributed to this body in this area are as follows:

- Approve the risk control and management policy, including fiscal risks, as well as the regular 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 quarterly basis, of the monitoring of the RAF through the Risk Committee, without prejudice to the information that may be requested at any time.
- Take appropriate correction measures where deemed appropriate.
- Specifically approve, where appropriate, the maintenance of situations that involve the breach of Limits.

Risk Committee

Its main functions include:

- Advise the Board of Directors on the Company's current and future overall risk appetite and risk strategy 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 proper identification, management and quantification of all significant risks affecting the Company.
- Ensure that the risk management and control systems adequately mitigate risks within the framework of the policy defined by the Board of Directors.
- Actively participate in the development of the Company's risk management policy, ensuring that it identifies at least:
    a) The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks) faced by the Company, including 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 materialise.
    d) The internal control and reporting systems to be used to monitor and manage these 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 amendments.
- Report to the Board of Directors, at least quarterly or at any time upon request, on the monitoring of the RAF.
- Request, when deemed appropriate, information concerning the RAF from the various Directorates.
- Propose appropriate correction measures where deemed appropriate.
- Propose to the Board of Directors, where appropriate, the maintenance of situations involving a breach of a Limit.

Audit and Regulatory Compliance Committee

In addition to the functions provided for by law and in the Bylaws, the Audit and Regulatory Compliance Committee shall have functions relating to

- Information and internal control systems, monitoring, inter alia, the effectiveness of the Financial Information Internal Control System (FIICS).
- Internal auditor.
- Statutory auditor.
- Compliance with corporate governance rules.
- Regulatory compliance.
- Structural and corporate modification operations that the Entity plans to carry out.

Among these functions, in terms of risk, the assessment of all the company's non-financial risks - including operational, technological, legal, social, environmental, political and reputational risks - stands out.

Technology and Innovation Committee

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

Strategy and Transformation Committee

Its functions include the following RAF related functions:

- Validate and submit, where appropriate, to the Governing Bodies proposals for documents relating to the Entity's strategic planning, including the RAF.
- Transfer the main RAF criteria, whether initial or subsequent adaptations, to the rest of the Entity, through the relevant departments in each area, in order to maintain a solid "risk culture" at Unicaja Banco.
- Assess the implications of the RAF, in their respective areas of competence, in coordination with the internal Committees of the entity, which in turn will pass them on to the competent Directorates if necessary.

The Corporate Governance Report of Unicaja Banco Group, published on its website (https://www.unicajabanco.com/en) identifies the Entity's bodies responsible for preparing and implementing the risk management system, indicating the main risks that may affect the achievement of business objectives, identifying the Entity's risk tolerance level, as well as the response and supervision plans for the Entity's main risks.

3.3 Credit risk, concentration and default management

Credit risk is defined as the risk of incurring losses resulting from the borrower’s failure to repay a loan. This risk is inherent in a bank’s operations.

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 appropriate management of the credit risks inherent to the Entity's credit investments.

It defines the mandatory risk policies and procedures, details the activities and tasks to be performed, defines the responsibilities of the different areas involved in the processes of granting and monitoring transactions, establishes the risk predisposition 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 specific 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, and the Risk Committee, the Audit and Regulatory Compliance Committee, the Internal Audit Department, the Global Risk Control Corporate Directorate and the Credit Risk Corporate Directorate of Unicaja Banco are responsible for ensuring proper compliance with them, ensuring that they are adequate, effectively implemented and regularly reviewed.

Unicaja Banco Group's activities are mainly focused on commercial, retail and corporate banking, applying sound risk management and control standards. Through the formulation and periodic review of the Risk Appetite Framework (RAF), Unicaja Banco Group's governing bodies 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 in the admission, monitoring and recovery processes. PD, LGD and EAD estimates are taken into account in different uses such as the granting of operations, the calculation of provisions or the classification of credit operations.

With regard to the granting of credit operations, Unicaja Banco has detailed policies, methods and procedures to ensure the responsible granting of loans and credit to consumers.

The principles developed for this purpose are aligned with the 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, and include the following points:

- Eligibility criteria linked to the borrower’s ability to pay.
- Customer-adjusted amortisation plan for the operation.
- Prudent relationship between the amount of the transaction and the value of its collateral.
- Operations marketing policy.
- Collateral valuation policy.
- Consideration of interest rate and exchange rate variability when granting loans in foreign currencies.
- Interest rate risk hedging.
- Policy on exceptions to terms and conditions of operations.
- Warning to the customer about the 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 of a developer's loan.

On the other hand, Unicaja Banco has implemented systems for compliance with Law 5/2015 on the promotion of business activity, which recognises unwaivable rights for SMEs and the self-employed in 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 their 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 Committee of the Credit Risk Corporate Directorate.

- Corporate Banking Credit Committee.
- Credit Committees at Regional Divisions.
- Credit Committees at the Areas of the Regional Divisions.
- Branch Credit Committees.

Likewise, the functions and methodologies for credit risk control are applied both in the approval and in the monitoring and recovery phases of credit operations. Monitoring consists of monitoring the evolution of the risk of the transaction itself and of the customer and, where applicable, the 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 default transactions.

In accordance with the current legislation, Unicaja Banco has a policy of refinancing, restructuring, renewal or renegotiation of operations.

In addition, 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 the identification and in the accounting classification of forbearances. Finally, within the framework of credit risk, Unicaja Banco Group's risk management and control model specifically incorporates exposures to sovereign risk and corporate shareholdings.

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

Unicaja Banco has adapted its policies, processes and tools for the identification and measurement of credit risk in the context of the coronavirus pandemic (COVID-19).

3.4 Market risk

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

Although for solvency purposes market risk is assigned to trading positions, Unicaja Banco Group has developed policies, processes and tools for the management of market risk corresponding to the entire portfolio of securities recorded for accounting purposes at fair value, including sovereign exposures and equity investments.

For the proper management of market risk, the Group has tools that enable the definition, calculation and monitoring of market risks and the limits authorised for the same, in particular "Value at Risk" (VaR) and operating limits for credit/counterparty risk that affect Unicaja Banco Group's operations in capital markets and serve as a means of diversification in order to avoid excessively concentrated exposures to market risk.

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

- Market data management
- Measurement
- Control

Unicaja Banco Group performs the measurement and control function by establishing a structure of quantitative limits, as well as a system of powers in financial market operations. The Group has detailed information on the various sub-risks, which enables them to be adequately monitored and mitigated if necessary.

Responsibility for risk identification and control is ultimately the responsibility of the governing bodies of Unicaja Banco Group, so that Senior Management is responsible for and must actively participate in the entire risk management process (planning, approval, assessment and control of all risks inherent in the positions taken by the Entity in financial markets).

3.5 Operational risk

Operational risk is defined as the risk of loss due to inadequate or failed internal processes, people and systems or due to external events.

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

- Internal fraud
- External fraud
- Human Resources
- Industrial relations and workplace safety
- Customers, products and business practices
- Selling practices
- Damage to tangible physical assets
- Business incidents and system failures

The following sub-typologies, among others, are also identified within operational risk:

Technology risk is the risk of loss due to breach of confidentiality, failure of systems and data integrity, inadequacy or unavailability of systems and data, or the inability to change information technology (IT) in a timely and cost-effective manner when the environment or business needs change (i.e. agility). This risk includes security risks resulting from the inadequacy or failure of internal processes or from external events, including the risk of cyber-attacks or the risk arising from inadequate physical security.

Likewise, technology risk, including cybersecurity risk, forms part of the Entity's Risk Appetite Framework, where different metrics are established for its quantification, control and monitoring.

Reputational risk is defined as the risk of loss due to a 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 arising from other events, which we refer to as an "Opportunity Cost".

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

This constant effort to maintain and reinforce the good image of the Entity is rooted in the global culture and translates, among other concrete manifestations, into:

- The strategic objectives of the Entity.
- The Code of Conduct, Corporate Social Responsibility Policy, Sustainability Policy, Environmental, Energy and Climate Change Policy, and the Criminal Risk Prevention Programme approved by the Board of Directors.
- The actions of the three lines of defence.
- Compliance with the general regulatory framework and, in particular, with the Markets in Financial Instruments and Investor Protection ("MiFID") and financial services protection regulations.
- The process of continuous training of employees in all areas in which they carry out their activities, including, specifically, training related to ethical aspects, as determined in the "Code of Conduct".

Legal risk is defined as the possibility of incurring losses due to non-compliance with or changes in laws, except for those losses included in Conduct risk.

Model risk is the risk arising from the implementation, calibration, use or lack of use of internal models, whether for the calculation of regulatory capital or for the internal management of the Entity.

Finally, conduct risk refers to the risk of malpractice being committed internally by the Entity at the time of the event, either knowingly (with knowledge or bad faith on the part of the offender) or due to a lack of knowledge that does not exempt from proper compliance.

Unicaja Banco Group ensures the correct creation, issuance 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 for capturing operational loss events. These provide the Group with the necessary information to be able to implement the corresponding mitigation instruments of the operational risk management policy. It also has an Operational Risk Framework, approved by the Board of Directors, which has been disseminated and implemented throughout the organisation.

Unicaja Banco Group has other operational risk mitigation measures that are used in operational risk management. These measures are described in the section "Methodology applied in the calculation of capital requirements for operational risk" in this document. These measures include (i) the development of self-assessment exercises and (ii) the system of KRIs (key risk indicators) that enable the evolution of risk factors to be measured.

The group controls risk exposure through the establishment of the limit structure.
Since December 2017, the Entity has been using the Standardised Approach to quantify 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)

Interest rate risk in the banking book (IRRBB) is defined as the current or future risk to both the Entity's earnings and economic value arising from adverse movements in interest rates affecting interest rate sensitive instruments.

The control functions and methodologies carried out by the Entity include the definition of the structure of limits, control of limits, 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, sensitivity measurement techniques and analysis of scenarios that could significantly affect it are used.

In these scenarios, the inclusion or not of different hedging strategies is considered, with the aim of managing the impact of the exposure to interest rate risk in terms of both economic value and net interest income, and they are submitted to the competent bodies in accordance with the powers in force. To this end, various hedging strategies are used, such as, for example and among others:

- Interest rate risk hedging swaps

- Forward sales or purchases of the fixed-income portfolio

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

- The Board of Directors approves the Entity's global risk management strategy and sets the general guidelines and controls for risk management.
- The Assets, Liabilities and Budget Committee (ALCO) develops the strategy within the framework and limits set by the Board of Directors.

3.7 Business and strategic risk

This is defined as the risk of incurring losses as a result of erroneous analysis of the market in which it operates due to a lack of knowledge 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 analyse 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 occurrence and impact, and identifies mitigating measures to address them.

3.8 Real estate risk

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

Unicaja Banco Group establishes 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 by the Entity with the ultimate aim of divesting or leasing them. To this end, Unicaja Banco Group has instrumental companies, specialised in the management of urban development projects, the marketing of properties and the leasing of real estate assets.

It also has specific units to develop these strategies and coordinate the actions of the instrumental subsidiaries.

In addition, the Entity has a decentralised governance structure which, through a framework of powers, ensures that it is properly managed and controlled.

3.9 Liquidity risk

Liquidity risk can be defined in different ways as it is not a single concept. Typically, there are three different definitions of liquidity risk, which are described as follows:

- Cost of exiting a position in a real or financial asset (refers to the difficulties that may arise in exiting or closing a position in the market, at a given moment, without impacting the market price of the instruments or the cost of the transaction (Market or Asset Liquidity).
- Gap between the enforceability of liabilities transactions and the degree of realization of lending transactions (funding liquidity).
- Mismatch between the growth capacities of investment activity resulting from the inability to find funding 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
- Intragroup transaction risk
- Foreign currency funding risk
- Contingent risk
- Intraday liquidity risk
- Franchise risk
- Risk related to pledged assets

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

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

Adequate liquidity management is a fundamental aspect in all institutions, as has been demonstrated in the crisis period. As a result, it is becoming more relevant in the new regulatory requirements. For this reason, the methodology used is necessarily oriented towards the control and monitoring of structural liquidity.

The key to management is to be able to meet obligations without incurring high costs or loss of profitability, either through excessive costs to cover needs in a liquidity deficit or through excess liquidity resulting in a low return on assets, giving priority to a policy of prudence in the balance between the two possibilities and ensuring that the cost of this policy is as low as possible.

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

In addition, the Entity manages and controls intraday liquidity by monitoring the flows of collections and payments made daily in order to verify compliance with payment and settlement obligations.

In general terms, liquidity is considered adequate if potentially liquid assets and funding capacity exceed the needs arising from business and refinancing in markets.

The larger the difference, the greater the available liquidity.

Unicaja Banco Group also practices a diversification policy in order to avoid excessively concentrated exposures to structural liquidity risk. Likewise, in its management of liabilities, it diversifies its sources of funding, ensuring that they are diversified by markets, maturities and products, in order to avoid difficulties at particular times 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:** maturity analysis, diversification of business sources, maturities different from contractual maturities, behaviour in the face of interest rate movements.
- **Market access:** 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 Entity, within the supervisory framework.

- **Short-term liquidity coverage ratio (LCR)**, which measures the sufficiency of available, liquid and high-quality assets to offset the net cash outflows that could be suffered in the event of severe tensions at 30 days. Unicaja Banco Group has not liquidity risk problem, as it has an adequate stock of unencumbered, high quality liquid assets (HQLA) that can be easily and immediately converted into cash in the markets to cover its liquidity needs in a 30 calendar day liquidity problem scenario (net of cash outflows and inflows). Unicaja Banco Group's LCR ratio at 31 December 2020 was 310%, above the regulatory minimum requirement of 100%.
- **Net stable long-term funding ratio (NSFR)**, to maintain a minimum number of stable funding sources, in line with the liquidity profiles of the assets and the possible contingent liquidity needs due to long-term off-balance sheet commitments. Compliance with this ratio means that entities must have stable funding structures (measured by the NSFR) by setting a minimum amount of stable funding required according to the characteristics of the assets, which is maintained for more than one year, i.e. the ratio between stable funding (liabilities) and assets requiring stable funding. Unicaja Banco Group's NSFR ratio at 31 December 2020 was above 100%, specifically 143%, well above the minimum regulatory requirement of 100%.

The Entity also conducts a recurrent internal liquidity assessment process (ILAAP) which concludes, inter alia, 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 Relation with Supervisors, the General Directorate of Finance and the organisational units reporting to the members of the ALCO.

For this reason, it has become necessary to develop a contingency plan, revised periodically, and based on three fundamental premises:

- Definition of stress testing scenarios: systemic crisis, medium and severe own crisis.
- Projection of liquidity in scenarios and establishment of warning signals, limits and a minimum survival horizon for measures to be undertaken.
- Identification of responsibilities and tasks in the activation and execution of the contingency plan.

3.10 Risks related to environmental, social and governance factors

Environmental, social and governance (ESG) factors may have a significant impact on the Entity's financial performance or solvency. The scope of these factors extends to those involved in the marketing of financial products and their exposure to the public, as well as to the Entity's own exposures.

The proper management of ESG factors by the Entity is conditioned, from a risk perspective, by the economic activity and by the classification of its assets (such as the sector and geographical location of its counterparties or issues of financial instruments invested) and liabilities (such as issues of financial instruments or investment profile).

ESG factors can affect the Entity's financial performance by manifesting themselves in prudential financial or non-financial risks, such as credit, market, operational, liquidity, interest rate, reputational or liability risk, respectively. Therefore, while ESG factors can have positive or negative impacts, ESG risks are defined from a prudential perspective, in the context of supervisory review[1], as the negative materialisation (on the Entity or its counterparties) of ESG factors.

Climate-related and environmental risks (ESG Environmental factor) are risks arising from the Entity's exposure to counterparties that may potentially contribute to or be adversely affected by environmental factors, including factors resulting from climate change and other types of environmental degradation[1]. These risks are generally considered to comprise two main risk factors affecting economic activities, which, in turn, have an impact on the financial system. These are[2]:

- Physical risk, which refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as environmental degradation, such as air, water and land pollution, loss of biodiversity and deforestation.

Physical risk is, in turn, classified as:

- "Severe", when it results from extreme events, such as droughts, floods and storms, and,
- "Chronic", when it results from progressive changes, such as rising temperatures, sea level rise, and land use change, habitat destruction and resource scarcity.

This can directly cause, for example, damage to goods or a decrease in productivity, and can also indirectly lead to further incidents, such as the disruption of supply chains.

- Transition risk refers to the Entity's financial losses that may arise directly or indirectly from the process of adjusting to a lower carbon and more environmentally sustainable economy[3]. This may be triggered, for example, by a relatively abrupt adoption of environmental policies, technological advances or changes in the market climate and consumer preferences.

Physical and transitional risks may additionally trigger further damage directly or indirectly arising from legal claims (liability risk) and loss of reputation, if the public, counterparties or investors associate the Entity or its customers, particularly corporate or institutional customers, with adverse environmental effects (reputational risk).

[1] According to "EBA Discussion paper on management and supervision of ESG risks for credit institutions and investment firms", published in October 2020.

[2] According to "Guidance on climate-related and environmental risks - Supervisory expectations for risk management and risk communication", published in November 2020.

[3] The European Union aims to achieve a neutral greenhouse gas emissions balance by 2050 (see, for example, the "European Green Pact", published by the European Commission in December 2019).

Accordingly, physical and transitional risks are factors of the existing risk, in particular credit risk, operational risk, market risk and liquidity risk, as well as risks outside Pillar 1, such as migration risk, credit spread risk in the banking book, real estate risk and strategic risk.

For the proper management of ESG risks (which includes climate and environmental risks), the Entity has already started a series of initiatives aimed at measuring in depth the impact of such risks on its financial structure, and enabling it to act effectively in this area in the medium and long term. These include:

- Approval of the Sustainable Finance Action Plan by the Board of Directors in June 2020.
- Creation of a Sustainability and CSR Committee.
- Design of a work programme for the integration of ESG regulations and best practices.

Unicaja Banco considers that the appropriate management of ESG risks is part of a global work programme that analyses the financial, marketing and good governance impacts, with the aim of positioning itself as an entity committed to sustainability and its derived impacts.

4

Own funds

4 OWN FUNDS

4.1 Main features of elements computed as own funds

In accordance with Title I, Part Two of Regulation (EU) No 575/2013, 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 capital (CET1) and Additional Tier 1 capital (AT1).

Pursuant to 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 with share capital
- Accumulated earnings (reserves and earnings, 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 the 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, the amount of which is recorded free of any foreseeable tax at the time it is calculated. These components show greater stability and permanence over time than Tier 2 capital components.

As far as capital deductions are concerned, the items 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)
- Assets of defined benefit pension funds

The capital deductions have been calculated in accordance with Part Ten, Section 3 of the Regulation (transitional provisions), with the double limit on Common Equity Tier 1 (CET1), 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 was amended by Regulation (EU) 2016/445 of 14 March 2016 and has been further amended by Circular 3/2017.

4.1.2 Additional Tier 1 capital

Additional Tier 1 capital elements have been calculated in accordance with Part Two, Title 1, Chapter 3 of the Regulation and consist of the capital instruments that meet the conditions set out in Article 52(1).

As at 31 December 2020, the Group holds the following outstanding issue of Perpetual Contingent Convertible Bonds (PeCoCos).

Table 5: PeCoCos outstanding at 31 December 2020

Issue	Securities issued	Nominal amount (thousands €)	Balance (thousands €)
PeCoCos	**47,429,435**	**47,429**	**47,429**

PeCoCos Bonds are bonds convertible into ordinary shares of Unicaja Banco with a nominal value of one euro, belonging to a single class and series, represented by book entries. The conversion ratio of these bonds will be that resulting from the ratio between the unit par value of the issues of these bonds and the value attributed to the ordinary shares of Unicaja Banco, which is set 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 consideration being considered as share premium. At 31 December 2020 this issue is not admitted to trading on any type of secondary market.

The PeCoCos Bonds rank in the following order of priority: (a) behind all common and subordinated creditors of Unicaja Banco; (b) *pari passu* with the preference shares, preference sotck 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 issues of necessarily and contingently convertible bonds, bonds or other necessarily convertible/exchangeable securities comparable to necessarily and contingently convertible bonds issued or which may be issued by Unicaja Banco or an Entity of Unicaja Banco Group, guaranteed by Unicaja Banco or in which it has been (or may be) subrogated; and (d) ahead of the ordinary shares of Unicaja Banco.

This type of bond grants its holders the right to discretionary, predetermined and non-cumulative remuneration, to conversion into ordinary shares of Unicaja Banco, subject to certain conversion assumptions and to the political rights deriving from membership of the syndicate of bondholders of this issue. The shares into which the aforementioned bonds are eventually converted will grant their holders the same rights as the Unicaja Banco shares currently in circulation.

The accrual of discretionary remuneration is conditional on the simultaneous fulfilment of the following four conditions:

- The existence of distributable profit, after covering the provisions stipulated by law and by the Bylaws of Unicaja Banco;
- There are no limitations imposed by current or future applicable Spanish or European own funds regulations;
- That the Board of Directors of Unicaja Banco, at its sole discretion, taking into account the solvency situation of Unicaja Banco or Unicaja Banco Group, has not decided to declare an event of non-remuneration, deeming it necessary not to proceed with the payment of remuneration for an unlimited period of time, 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 of partial application of the conditions indicated in the previous sections, Unicaja Banco may proceed, at its sole discretion, to pay the remuneration partially or to declare an event of non-remuneration. If, for any reason, all or part of the remuneration is not paid to the bondholders on a payment date, the bondholders will not have the possibility of claiming such remuneration.

The PeCoCos Bonds will necessarily be converted into shares, in full, in the cases indicated below, and partially, in the amount necessary to recover, where appropriate, the imbalance in own funds or in the amount established by the competent authority, in the remaining cases:

- **Total mandatory early conversion**: The bonds will be converted into shares in the following events: (i) if Unicaja Banco adopts any measure aimed to 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 articles 320 and following of the Spanish Law on Corporate Enterprises, or article 343 by reference to article 418.3 of the Law on Corporate Enterprises.

- **Contingency events**: The bonds will be converted into shares in the event that the capital ratios of Unicaja Banco Group, calculated on a quarterly basis, fall 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 events: (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 events: (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 core capital; or (iii) if the bonds cease to be eligible as common equity.

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 on terms that are potentially unfavourable to the Group, and should therefore be classified as equity instruments and recognised in full in own funds under "Equity instruments issued other than capital " in the Group's consolidated balance sheet.

On 25 February 2021, the Board of Directors of Unicaja Banco, after verifying that the conditions set forth in the issue prospectus were met, resolved to pay the discretionary remuneration of the PeCoCos Bonds issued by the Bank, corresponding to the period from 29 March 2020 to 28 March 2021, for a total gross amount of 6,850 thousand euros (in the previous year, a discretionary remuneration of 6,850 thousand euros was agreed on 21 February 2020 for the outstanding PeCoCos and was paid on 30 March 2020).

4.1.3 Tier 2 capital

Subordinated debt issues are considered Tier 2 capital, subject to the limits and deductions set out in the Regulations. All subordinated debt issues rank after all the Institution's common creditors for credit ranking purposes. Thus, these 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 EU Regulation 575/2013 (CRR), which came into force in 2014, be counted as own funds.

At 31 December 2020, Unicaja Banco holds the following outstanding issue of Tier2 Subordinated Debt:

Table 6: Outstanding T2 Subordinated Debt at 31 December 2020

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

On 13 November 2019 ("Issue Date") and under the resolutions adopted by the General Shareholders' Meeting of Unicaja Banco on 27 April 2018 and by the Board of Directors of Unicaja Banco on 25 October 2019, the issue of Subordinated Bonds aimed at 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 the issue in full, not in part, for its principal amount together with accrued and unpaid interest up to (but excluding) that date, subject to the conditions set out in the Prospectus (sections 4.2 and 4.3 of Conditions of the Bonds).

The issue price of the Subordinated Bonds was 100% and their 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, the first payment being on 13 November 2020. From 13 November 2024 (included) until 13 November 2029 (excluded) they will accrue a fixed interest rate 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 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 (Tier 2) in accordance with the criteria of EU Regulation (EU) 575/2013 of 26 June 2013 of the European Parliament and of the Council, having obtained approval for their computation as eligible Tier 2 capital.

The Subordinated Bonds will constitute contractually subordinated credits of the Bank in accordance with article 92.2 of the Spanish Law 22/2003 of 9 July 2003 on Insolvency Proceedings. 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, they are placed in the following order of priority: (a) behind all common creditors and for subordinated claims of Unicaja Banco under art. 92.1 of Law 22/2003, of 9 July, on Insolvency, of the subordinated credits not classified as additional Tier 1 capital or Tier 2 capital and of any other subordinated credit that by law and/or by their own terms, if the law so permits, have a higher rank than the Tier 2 Subordinated Bonds; (b) *pari passu* with any other Tier 2 capital instrument and any other subordinated loan that by law and/or by their own terms, if permitted by law, rank *pari passu* with the Subordinated Tier 2 Bonds; and (c) ahead of the ordinary shares of Unicaja Banco, any other Additional Tier 1 capital instrument and any other subordinated loan that by law and/or by their own terms, if permitted by law, rank junior to the Subordinated Tier 2 Bonds.

In addition, if the Subordinated Bonds lose, in whole or in part, their eligibility as Tier 2 capital of the Bank or the Group (Capital Event, as defined in the issue prospectus) or if a change in tax law, or in the application of tax law results, inter alia, in the loss of the deductibility of interest payments to be made under the Subordinated Bonds or results in the obligation for the Bank to gross up such payments in favour of the holders of the Subordinated Bonds as a result of the need to make retentions or deductions in certain circumstances (Tax Event, as defined in the issue prospectus), Unicaja Banco, with the prior authorisation of the relevant regulator and in accordance with the applicable banking regulations, may substitute or modify the terms of all (not only some) of the Bonds, without the prior consent of their Holders, so that they remain classified as Tier 2 capital instruments.

4.2 Amount of own funds

The detail at 31 December 2020 of the Unicaja Banco Group's own funds, 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), is shown below.

Table 7: Own funds

OWN FUNDS	(thousands €)
TOTAL T1	**3,787,064**
TOTAL CET 1	**3,739,635**
Share	1,579,761
Share premium	1,209,423
Own Common Equity Tier I instruments	-179
Accumulated earnings	1,140,382
Minority interests recognised in Common Equity Tier 1 capital	-
Adjustments to Common Equity Tier 1 due to prudential filters	148,664
Contingent convertible bonds subscribed by the FROB	-
Other accumulated comprehensive income	4,142
Adjustment Unrealised gains	-
Deduction of securitisation positions	-
Deduction of goodwill and intangible assets	-6,520
Defined benefit pension fund assets	-1,376
Deferred tax assets that rely on future returns	-424,400
Common Equity Tier 1 holdings of financial sector entities in which the Entity has a significant investment	-69,512
Transitional adjustments arising from IFRS 9	159,248
TOTAL AT1	**47,429**
Capital instruments eligible as additional Tier 1 capital	47,429
TOTAL T2	**300,000**
Eligible subordinated	300,000
TOTAL OWN FUNDS	**4,087,064**

Unicaja Banco Group closed 2020 with own funds amounting to 4,087,064 thousand euros, 18.17% of its risk-weighted assets.

The CET1 ratio, in accordance with current regulations, is 16.63%, which also shows the high quality of Unicaja Banco Group's capital, characterised by the absolute control of 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 financial year 2020*

IFRS 9 came into force on 1 January 2018 and the application of this standard entailed accounting changes affecting capital ratios. Thus, the Entity opted 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. In this way, Unicaja Banco Group adds to its Common Equity Tier 1 the amounts calculated in accordance with section 4 of the aforementioned article 473a. Following the publication of Regulation 2020/873 (Quick fix) in August 2020, in response to the pandemic, a series of adjustments were made to the calculation of own funds. The most far-reaching of these was the extension and modification of the IFRS9 transitional adjustments that the Entity has decided to apply. It also introduced a new prudential treatment for software assets.

4.2.2 Capital buffers

The current regulations in force governing the own funds that institutions must maintain establish the following capital ratios for 2020:

- A Common Equity Tier 1 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 capital conservation buffer of 2.5%.

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 for lending exposures in Spain at 0% as of 1 January 2016.

For the financial year 2020, the European Central Bank has required for Unicaja Banco Group, within the SREP framework, a minimum total capital ratio of 12.25% phase-in and a minimum CET 1 ratio of 8.75% phase-in. This requirement is applicable for the financial year 2020 and includes the minimum Pillar I requirement of 8% for total capital (or 4.5% in the case of CET1), a Pillar II requirement of 1.75% and a capital conservation buffer of 2.5%.

In addition, it should be noted that for the 2021 financial year, 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 (the result of adding the minimum required by Pillar I of 8%, plus a Pillar II requirement of 1.75% and the capital conservation buffer of 2.5%) and a minimum Common Equity Tier 1 (CET 1) phase-in ratio of 7.98% (the result of adding the minimum required by Pillar I of 4.5%plus a Pillar II requirement of 0.98% to cover at least three quarters with T1), plus the capital conservation buffer of 2.5%.

As a consequence of these requirements, the CET 1 phase-in and total capital phase-in ratios mentioned above are also set 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 at 31 December 2020 amounted to 16.63%, while the total capital ratio amounted to 18.17% (both including retained earnings for the year). 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 results referred to in Regulation (EU) no. 575/2013. In any case, the limitations on the distribution of dividends derived from the recommendations issued by the European Central Bank during the 2020 financial year must be considered, with the aim of preserving the regulatory capital of credit institutions in light of the economic impacts generated by Covid-19.

At 31 December 2020 and 2019, the own funds of Unicaja Banco Group amounted to 4,087,064 thousand euros and 3,891,674 thousand euros, respectively, of which 3,739,635 thousand euros and 3,544,100 thousand euros, respectively, form part of Common Equity Tier 1 (CET1).

The total capital surplus, taking into account the own funds requirements in accordance with Directive 2013/36/EU (CRD-IV) and EU Regulation 575/2013 (CRR) (Pillar 1), the additional requirements imposed on Unicaja Banco Group as a result of the 2020 SREP (Pillar 2), and the capital conservation buffer of 2.5%, amount to 1,331,741 thousand euros at 31 December 2020. Similarly, the CET1 surplus taking into account all the above requirements, applied at CET1 level, amount to 1,943,755 thousand euros at 31 December 2020.

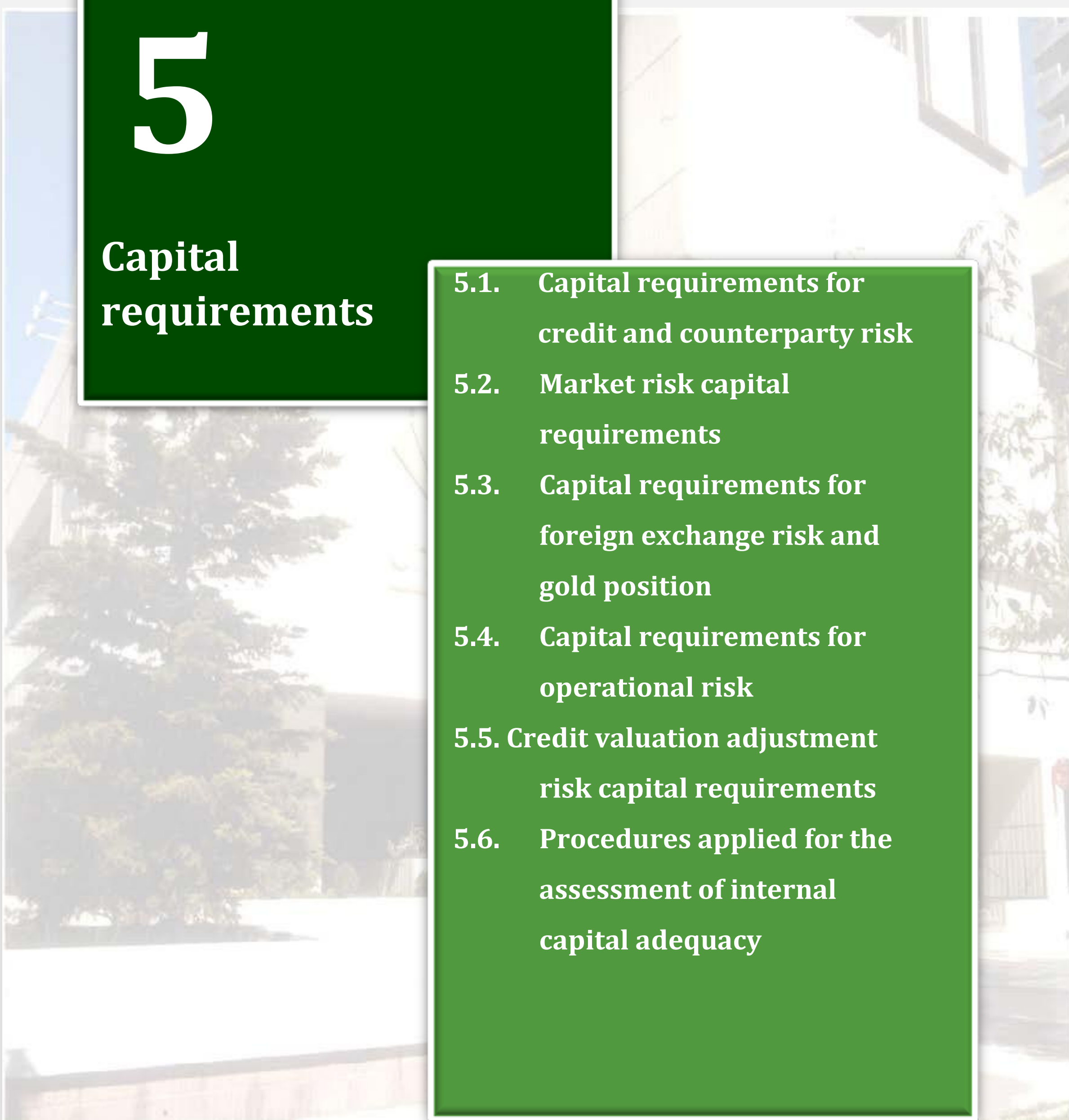
4.3 Reconciliation between net book equity and regulatory capital

The scope of consolidation is not the same for regulatory and accounting purposes, resulting 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 the 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	**2020**	**2019**
Own funds	4,001	3,971
Other accumulated overall income	4	-1
Minority interests	-	-
TOTAL EQUITY (Public Balance Sheet)	**4,005**	**3,970**
Difference between Public and Reserved Balance Sheet	-	-
TOTAL EQUITY (Reserved Balance Sheet)	**4,005**	**3,970**
Non-computable minority interests	-	-
Non-computable result for the year	-24	-84
Deductions	-500	- 483
Transitional adjustments arising from IFRS 9	159	99
Tier 2 capital	300	300
Other capital adjustments	147	91
TOTAL ELIGIBLE CAPITAL	**4,087**	**3,892**



5

Capital requirements

5 CAPITAL REQUIREMENTS

The amount of Unicaja Banco Group capital requirements, in accordance with Part Three of the CRR, for each of the risk types, calculated as 8% of risk-weighted assets, at 31 December 2020, is shown below.

Table 9: Own resources requirements

Own resources requirements	
Thousands of euros	**2020**
Credit Risk	1,659,530
Market Risk	4,672
Foreign exchange and gold position risk	-
Operational Risk	126,421
Credit valuation adjustment risk	8,771
TOTAL REQUIREMENTS PILLAR I	**1,799,394**

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 Unicaja Banco Group capital requirements for credit risk at 31 December 2020, calculated for each of the categories to which the standardised approach has been applied.

Table 10: Capital requirements for credit and counterparty risk

Credit Risk Categories	(thousands €)
Central government or central banks	-
Regional governments or local authorities	-
Public sector bodies	34,758
Multilateral development banks	-
International organisations	-
Entities	92,527
Companies	318,320
Retail exposures	242,860
Exposures secured by real estate	406,462
Exposures in default	69,244
Items assoc. with particularly high risks	41,103
Covered bonds	3,566
Exposures to institutions and corporates with a short term credit rating	-
Investments in collective investment institutions	1,230
Equity instruments	90,539
Other	356,925
Securitisation positions	1,996
TOTAL CREDIT RISK REQUIREMENTS	**1,659,530**

The counterparty risk requirements were also calculated using the standardised approach. The standardised approach is also used for the materiality risk analysis and internal capital allocation.

5.2 Market risk capital requirements

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

The market risk requirements for the positions held in the trading book of Unicaja Banco Group at 31 December 2020, according to the application of the standardised approach (Article 326 et seq. of the EU Regulation), are detailed below.

Table 11: Capital requirements for market risk

Thousands of euros	RWA	Requirements
Direct Products	**58,406**	**4,672**
General risk in debt instrument positions	58,406	4,672
Specific risk in debt instrument positions	-	-
Risk in Equity Instruments positions	-	-
Currency risk	-	-
Commodity risk	-	-
Settlement risk	-	-
Options	**-**	**-**
Simplified Method	**-**	**-**
Delta-Plus method	-	-
Scenario-Based Approach	-	-
Securitisation	**-**	**-**

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

5.3 Capital requirements for foreign exchange risk and gold position

As the 2% of eligible own funds are not exceeded, the capital requirements for foreign exchange risk and gold position are considered null and void (Art. 351 of the EU Regulation).

5.4 Operational risk capital requirements

The amount of capital requirements as at 31 December 2020 for operational risk has been calculated on the basis of the standardised approach and amounts to **126,421 thousand euros.**

5.5 Credit valuation adjustment risk capital requirements

Credit valuation adjustment shall mean an adjustment to the mid-market valuation of the portfolio of transactions with counterparty.

Such an adjustment shall reflect the current market value of the counterparty's credit risk to the Entity, but does not reflect the current market value of the Entity's credit risk to the counterparty (Article 381 of the CRR).

The amount of Unicaja Banco Group's requirements at 31 December 2020 for counterparty risk, based on the standardised method, is **8,771 thousand euros.**

5.6 Procedures applied for the assessment of internal capital adequacy

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

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 in place, its strategic business plan and its real possibilities of obtaining greater capital.

As a starting point, within the framework of the ICAAP, the Entity has a regular process of material risk identification which enables it to identify and keep up to date the risks to which the Entity may have a material exposure.

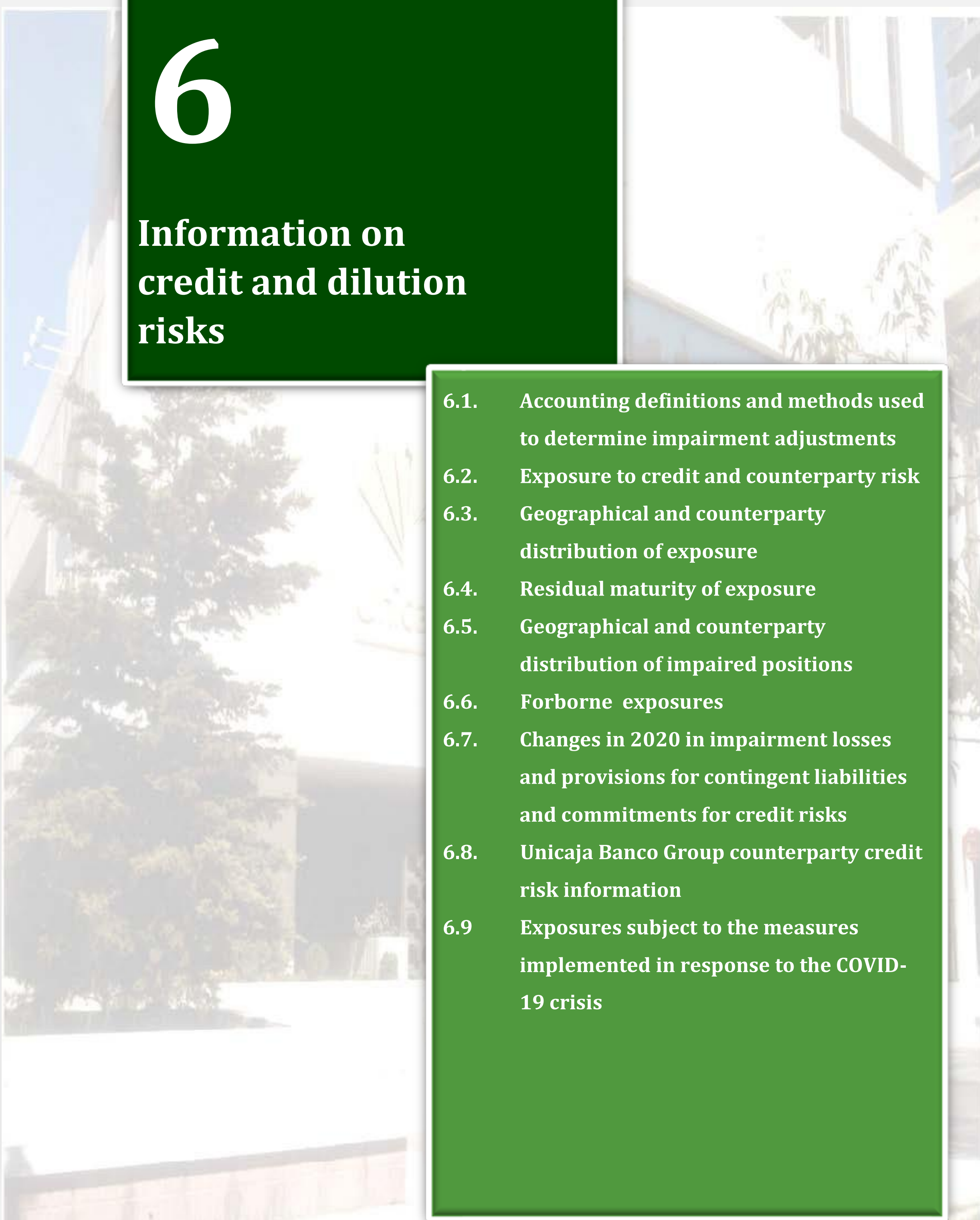
To determine the materiality of risks, objective risk-specific internal methodologies are used, based on quantitative analysis and relying as far as possible on the methodologies used by the authorities and on stress tests.

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

The identified material risks are prudently managed, controlled and monitored through the Risk Appetite Framework and are subject to internal capital quantification.

To quantify and allocate capital, the Entity uses objective internal methodologies that are specific to each material risk and consistent with the methodologies used to assess material risks. In addition, for the allocation of internal capital for Pillar I risks, an allocation floor is set which corresponds to the minimum regulatory capital.

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



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 section are based on IFRS (International Financial Reporting Standards). The Entity has also applied for prudential purposes, with effect from 31 December 2020, the guidelines contained in EBA/GL/2016/07 on the application of the definition of default in accordance with Article 178 of Regulation (EU) No 575/2013.

Note 2.7 of the notes to the consolidated annual accounts of Unicaja Banco Group for 2020 includes information on "Impairment of financial assets".

Note 10.2 shows a detail of the financial assets classified as loans and receivables and considered impaired due to their credit risk. In addition, note 10.4 shows a detail of those which, without being considered impaired, have an amount past due at that date, classified by counterparty, as well as according to the period elapsed since the maturity of the oldest past-due amount of each transaction.

Note 10.6 provides details on the evolution of credit risk coverage.

6.2 Exposure to credit and counterparty risk

The total value of Unicaja Banco Group's credit risk exposures at 31 December 2020, after the adjustments indicated in article 111 of the Regulation and the corresponding value corrections for impairment of assets, if applicable, amounts to 59,740,713 thousand euros (including securitisation positions) without considering the effects of the reduction in credit risk.

The following table shows the value of the exposure, as at 31 December 2020, together with the average value of that credit risk exposure, to which the standardised approach has been applied to estimate its own funds requirements for credit and dilution risk.

Table 12: Average and total net exposure amount

Credit Risk Categories (thousands €)	End of period exposure	Average exposure period
Central government or central banks	26,709,662	23,399,477
Regional governments or local authorities	1,788,182	1,515,976
Public sector bodies	1,541,771	1,413,008
Multilateral development banks	-	-
International organisations	-	-
Entities	2,990,614	2,539,405
Companies	4,288,004	4,351,653
Of which: SMEs	*1,222,973*	*1,343,544*
Retail exposures	4,376,675	4,688,986
Of which: SMEs	*1,426,899*	*1,562,580*
Exposures secured by real estate	14,342,362	14,593,655
Of which: SMEs	*616,078*	*672,439*
Exposures in default	818,995	784,152
Items assoc. with particularly high risks	342,527	398,757
Guaranteed bonds	222,847	287,771
Exposures to institutions and corporates with a short-term credit rating	-	-
Investment in collective investment institutions	15,379	14,029
Equity instruments	698,200	842,599
Other	4,510,925	4,859,483
Securitisation positions	50,947	51,761
Total	**62,697,089**	**59,740,713**

Furthermore, Article 291 of the CRR determines that adverse correlation risk exists when the likelihood of default by counterparties is positively correlated with general market risk factors. Specific adverse correlation risk will be present if the future exposure to a specific counterparty is expected to be high when the probability of default of the counterparty is also high.

As at 31 December 2020, the risk of such effects is minimal as there is no relevant exposure.

6.3 Geographical and counterpart distribution of exposure

Below is a breakdown of Unicaja Banco Group's credit risk exposure at 31 December 2020 by geographical area.

Table 13: Credit risk exposure by geographical area

Geographical Area	Amount Exposure (thousands €)
Spain	52,824,078
Rest of EU	9,532,352
Rest of the world	340,660
Total Exposure	**62,697,089**

6.4 Residual maturity of exposure

The following table shows the distribution by residual maturity of Unicaja Banco Group's exposure to credit risk at 31 December 2020, of exposures to which the standardised approach 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 approach 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 government or central banks	-	2,546	2,364	3,396	18,404	26,710
Regional governments or local authorities	-	4	253	548	982	1,788
Public sector bodies	-	31	54	810	647	1,542
Multilateral development banks	-	-	-	-	-	-
International organisations	-	-	-	-	-	-
Entities	-	916	139	1,071	864	2,991
Companies	-	156	339	1,827	1,966	4,288
Retail exposures	-	121	440	955	2,860	4,377
Exp. secured by real estate	-	3	24	556	13,760	14,342
Exposures in default	32	3	15	112	657	819
Items assoc. with particularly high risk	4	4	19	76	240	343
Covered bonds	-	-	137	85	-	223
Exposures to institutions and corporates with a short-term credit rating	-	-	-	-	-	-
Investments in collective investment institutions	-	-	-	-	15	**15**
Equity instruments	-	-	-	-	698	698
Other	-	8			4,480	4,511
Securitisation positions	-	-	-	-	51	51
Total Exposure as at 31 December 2020	**35**	**3,791**	**3,789**	**9,457**	**45,624**	**62,697**

6.5 Geographical and counterparty distribution of impaired positions

The following table details the gross carrying amount as at 31 December 2020 of non-performing and performing exposures and related accumulated impairment losses, provisions, accumulated changes in fair value due to credit risk, accumulated partial write-offs and collateral and financial guarantees received, in accordance with the scope of prudential consolidation under Part 1, Title II, Chapter 2 of the CRR.

Table 15: Performing and non-performing exposures and related provisions (thousand euros)

	Gross book value/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
	Performing exposures			Non-performing exposures			Performing exposures - accumulated impairment and provisions			Non-performing exposures - accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which in stage 1	Of which in stage 2		Of which in state 2	Of which in stage 3		Of which in stage 1	Of which in stage 2		Of which in stage 2	Of which in stage 3			
Loans and advances	28,971,961			1,187,953			254,697			-541,506			-32,500	16,973,069	417,658
Central banks	-			-			-			-			-	*0*	*0*
General governments	*2,047,556*			*13,459*			*-214*			*-7,363*			*-7*	*124,615*	*3,700*
Credit institutions	*1,762,220*			*88*			-			*-10*			-	-	-
Other financial corporations	*1,711,048*			*2,493*			-			*-2,015*			-	*15,997*	-
Non-financial corporations	*5,482,923*			*411,691*			*-126,556*			*-206,485*			*-19,534*	*1,501,417*	*33,149*
Of which SMEs	*2,545,344*			*342,308*			*-88,888*			*-168,141*				*996,205*	*27,745*
Households	17,968,214			760,222			-127,927			-325,633			-12,959	15,331,040	380,809
Debt securities	22,158,099			19,833			-716			-19,833			-	-	-
Central banks	-			-			-			-			-	-	-
General Governments	*17,996,399*			-			-			-			-	-	-
Credit institutions	*1,269,001*			*19,833*			-			*-19,833*			-	-	-
Other financial companies	*2,786,586*			-			-			-			-	-	-
Non-financial corporations	*106,113*			-			*-716*			-			-	-	-
Off-balance - sheet exposures	4,169,511			230,210			13,194			106,431				322,571	2,983
Central banks	-			-			-			-				-	-
General Governments	*62,502*			*220*			-			-				-	-
Credit institutions	*14,411*			*1,208*			-			-				-	-
Other financial corporations	*547,279*			-			*1*			-				-	-
Non-financial corporations	*2,514,304*			*223,766*			*12,504*			*104,332*				*252,891*	*2,672*
Households	*1,031,015*			*5,016*			*689*			*2,099*				*69,680*	*311*
Total	**55,299,571**			**1,437,996**			**242,219**			**-454,908**			**-32,500**	**17,295,640**	**420,641**

Table 16: Impaired exposures and adjustments for general and counterparty-specific credit risk (million euros) [4]

GROSS EXPOSURE	Non-performing exposures	Adjustments for accumulated credit risk	-
Credit to Public Administrations		**8**	**-**
Credit to the Private Sector	**1,168**	**788**	**67**
Companies	**486**	**387**	**39**
Real estate development and construction		50	-49
SMEs and freelancers	345	273	58
Other companies	58		30
Individuals	**681**	**402**	**38**
Mortgage collateral	426	192	49
Rest	255	209	-12
Reverse repo and unclassified risk	**-**	**-**	**-10**
TOTAL 31.12.2019	**1,181**	**796**	**67**
Individually determined		*148*	*38*
Collectively determined		*648*	*29*

As at 31 December 2020 there are no generic provisions.

The value of impaired and past due exposures at 31 December 2020, broken down by significant geographical areas and the provisions for contingent liabilities and commitments created, is shown in the table below.

Table 17: Impaired and non-performing exposures and their provisions, by geographical area (thousands of euros)

Geographical Region (thousands €)	Non-performing exposures		Provisions for impairment	
		of which > 90 days of default	Individual	Collective
Spain	1,179,180	771,482	145,817	645,122
Rest of EU	6,990	3,127	2,876	1,506
Rest of the World	1,782	1,403	-	883
Total	**1,187,953**	**776,012**	**148,692**	**647,511**

6.6 Forborne exposures

The gross carrying amount of forborne exposures and related accumulated impairment, provisions, accumulated changes in fair value due to credit risk, and collateral and financial guarantees received as at 31 December 2020 are presented below, in

[4] The information in this table has been prepared under the public consolidation perimeter applied in the consolidated annual accounts and defined in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter IFRS-EU).

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 to the consolidated annual accounts of Unicaja Banco Group for 2020.

Table 18: Credit quality of forborne exposures (thousands of euros)

	Gross carrying amount/nominal amount of exposures with forbearance measures				Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions		Collateral received and financial guarantees received on forborne exposures	
	Performing forborne	Non-performing forborne	Of which: defaulted	Of which: impaired	On performing forborne exposures	On non-performing forborne exposures		Of which: collateral and financial guarantees received on non-performing forbearance measures
Loans and advances	577,341	645,680	645,691	645,671	-171,134	-332,575	588,493	224,925
Central banks	-	-	-	-	-	-	-	-
General governments	*15,784*	*261*	*261*	*261*	*-213*	*-143*	*13,095*	*118*
Credit institutions	-	-	-	-	-	-	-	-
Other financial corporations	*30*	*2,493*	*2,493*	*2,493*	-	*-2,003*	-	-
Non-financial corporations	*378,336*	*264,120*	*264,140*	*264,120*	*-80,436*	*-156,726*	*280,197*	*69,967*
Households	*183,191*	*378,806*	*378,797*	*378,797*	*-90,485*	*-173,703*	*295,201*	*154,840*
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	3,901	2,966	2,966	2,966		486	1,670	277
Total	581,242	648,646	648,657	648,637	-171,050	-332,089	590,163	225,202

6.7 Changes in the year 2020 in impairment losses and provisions for contingent liabilities and commitments for credit risk

The changes in 2020 in impairment losses due to credit risk recognised the Unicaja Banco Group and in provisions for contingent liabilities and commitments due to credit risk are in line with IFRS, both in terms of the type of losses and provisions recognised and the methodology applied for their calculation.

Details of the changes made in 2020 in impairment losses and provisions for contingent liabilities and commitments due to credit risk are included in notes 10.6 and 18 to the consolidated annual accounts of Unicaja Banco Group for 2020.

In addition, note 27 to the consolidated annual accounts for 2020 of Unicaja Banco Group shows the changes in 2020 of Unicaja Banco Group's impaired financial assets that are not recognised in the balance sheet because their recovery is considered to be remote, although the actions to recover the amounts owed have not been interrupted.

Unicaja Banco Group continued with its effective strategy to reduce non-performing assets, bringing the balance of NPAs to 1,181[5] million euros at the end of the year, down 12.6% year-on-year (-170 million euros) and resulting in an improvement in the NPL ratio, which remains below 5%.

The gross carrying amount of non-performing and performing exposures as at 31 December 2020 is presented below, in accordance with the scope of prudential consolidation as set out in Part 1, Title II, Chapter 2 of the CRR:

[5] Data under the public consolidation perimeter applied in the consolidated annual accounts and defined in accordance with the International Financial Reporting Standards as adopted by the European Union (hereinafter IFRS-EU).

Table 19: Credit quality of performing and non-performing exposures by past due days (thousands of euros)

	Gross book value/nominal amount											
	Performing exposures			Non-performing exposures								
		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due> 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which: defaulted
Loans and advances	28,971,961	28,872,855	99,106	1,187,953	411,941	82,521	98,034	112,733	190,087	102,704	189,933	1,162,144
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	*2,047,556*	*2,047,545*		*13,459*	*337*	-	-		*12,034*	*241*	*715*	*13,375*
Credit institutions	*1,762,220*	*1,762,220*	-	*88*	*77*	-	-	-		-	*1*	*88*
Other financial companies	*1,711,048*	*1,711,048*	-	*2,493*	-	-	-	-	*2,493*	-	-	*2,493*
Non-financial corporations	*5,482,923*	*5,475,065*	*7,858*	*411,691*	*204,277*	*35,127*	*25,678*	*28,196*	*47,992*	*16,393*	*54,028*	*385,965*
Of which: SMEs	*2,545,344*	*2,537,672*	*7,672*	*342,308*	*152,138*	*34,855*	*25,209*	*26,140*	*37,497*	*15,458*	*51,011*	*332,580*
Households	17,968,214	17,876,977	91,237	760,222	207,250	47,394	72,356	84,405	127,558	86,070	135,189	760,223
Debt securities	22,158,099	22,158,099	-	19,833	-	-	-	-	-	19,833	-	19,833
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	*17,996,399*	*17,996,399*	-	-	-	-	-	-	-	-	-	-
Credit institutions	*1,269,001*	*1,269,001*	-	*19,833*	-	-	-	-	-	*19,833*	-	*19,833*
Other financial companies	*2,786,586*	*2,786,586*	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	*106,113*	*106,113*	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	4,169,511			230,210								229,834
Central banks	-			-								-
Public administrations	*62,502*			*220*								*220*
Credit institutions	*14,411*			*1,208*								*1,208*
Other financial companies	*547,279*			-								-
Non-financial corporations	*2,514,304*			*223,766*								*223,390*
Households	*1,031,015*			*5,016*								*5,016*
Total	**55,299,571**	**51,030,954**	**99,106**	**1,437,996**	**411,941**	**82,521**	**98,034**	**112,733**	**190,087**	**122,537**	**189,933**	**1,411,811**

6.8 Unicaja Banco Group counterparty credit risk information

Counterparty risk, as defined in Article 272 of Chapter 6 of the Regulation, is the risk that the counterparty to a transaction may default before the final settlement of the cash flows of that transaction.

Below is a detail of the Unicaja Banco Group's credit exposure to counterparty risk for its derivatives operations at 31 December 2020, estimated as the amount of Unicaja Banco Group's credit exposure for these financial instruments, net of the effect of the corresponding contractual netting agreements and of the guarantees received from the counterparties to the transactions.

Table 20: Counterparty risk exposure (derivatives)

Counterparty Risk (Derivatives)	Thousands of Euros
Positive fair value of contracts	621,717
Less: effect of netting agreements	-54
Credit exposure after netting	**621,663**
Less: effect of guarantees received	-504,713
Net Derivatives Exposure	**116,950**

Exposure to counterparty risk is measured by adding to the mark-to-market value 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 collateral provided by the counterparties mitigates the exposure.

In addition, information is provided on instruments cancelled in exchange for collateral obtained through repossession, and on the value of collateral obtained through repossession as at 31 December 2020:

Table 21: Collateral obtained by taking possession and execution processes (thousands of euros)

	Collateral obtained by taking possession	
	Value at initial recognition	Accumulated negative changes
Property, plant and equipment (PP&E)	111,472	-37,661
Other than PP&E	638,239	-244,179
Residential immovable property	*221,107*	*-26,212*
Commercial immovable property	*416,948*	*-217,822*
Movable property (auto, shippings, etc.)	*184*	*-145*
Equity and debt instruments	-	-
Other	-	-
Total	**749,711**	**-281,840**

6.9 Exposures subject to the measures implemented in response to the Covid crisis 19

On 18 March 2020, the Royal Decree-Law 8/2020 on urgent measures to address the economic and social impact of Covid-19 was published.

One of the measures of this Royal Decree-Law is aimed at ensuring the protection of mortgage debtors in a situation of vulnerability, establishing a moratorium on the payment of their mortgage on their main residence. The scope of application is extended with the amendment by Royal Decree-Law 11/2020, so that, in addition to contracts entered into for the purchase of a primary residence, loan contracts secured by real estate used for economic activity and those secured by housing that was intended for renting and in which the debtor has ceased to receive rent due to the Covid-19 situation are also included.

Likewise, the scope of the moratorium is extended to include loan and credit contracts without mortgage guarantee, including those intended for consumption.

In addition, the measures adopted in these Royal Decrees seek to address the difficult economic situation that both companies and the self-employed will have to face as a result of the health crisis. One of the measures is the creation of a line of guarantees of 100 billion euros on account of the State to guarantee part of the financing that credit institutions grant to companies and the self-employed to meet their liquidity needs. This line will be managed by the Official Credit Institute (ICO) and its aim is to facilitate the granting of sufficient liquidity to maintain employment and alleviate the economic effects of Covid-19.

In this context, the Group has been granting its customers both public moratoriums set out in the aforementioned Royal Decrees and sectorial moratoriums, under the sectorial agreement signed by the member institutions of the Spanish Confederation of Savings Banks (CECA) on 16 April 2020. In addition, since March 2020, the Group has been granting operations for which it has received guarantees under the ICOCovid-19 line approved by Royal Decree-Law 8/2020 and for which certain fees are paid to the ICO depending on the characteristics of the operation: applicable aid scheme, type of borrower and term.

Details of these operations as at 31 December 2020 are presented below. This information can be found in detail in note 10.5 to the consolidated annual accounts.

Table 22: Information on loans and advances subject to legislative and non-legislative moratoria

	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							Gross carrying amount
		Performing			Non-performing				Performing			Non-performing			
Millions €			Of which: exposures with forbearance measures	Of which: Instruments with a significant increase in credit risk since initial recognition, but no credit-impaired (stage 2)		Of which: exposures with forbearance measures	Of which: unlikely to pay that are not past due or past due <= 90 days			Of which: exposures with forbearance measures	Of which: Instruments with a significant increase in credit risk since initial recognition, but no credit impaired (stage 2)		Of which: exposures with forbearance measures	Of which: Unlikely to be paid but not past due or past due <= 90 days	Inflows non-performing exposures
Loans and advances subject to moratoriums	**567**	**541**	**-**	**197**	**26**	**-**	**25**	**-11**	**-5**	**-**	**-5**	**-6**	**-**	**-6**	**8**
of which: Households	555	530	-	187	25	-	25	-11	-5	-	-5	-6	-	-6	8
of which: Collateralised by residential immovable property	*518*	*496*	-	*169*	*22*	-	*21*	*-10*	*-4*	-	*-4*	*-6*	-	*-6*	*7*
of which: Non-financial corporations	12	11	-	10	1	-	1	-	-	-	-	-	-	-	-
of which: Small and medium-sized Enterprises	*12*	*11*	-	*10*	*1*	-	*1*	-	-	-	-	-	-	-	-
of which: Collateralised by commercial immovable property	*7*	*6*	-	*6*	*1*	-	-	-	-	-	-	-	-	-	-

Table 23: Breakdown of loans and advances subject to legislative and non-legislative moratoria by residual maturity of moratoria

Millions €	Number of debtors (#)	Gross carrying amount							
			Of which: Legislative moratoriums	Of which: expired	Residual maturity of moratoria				
					<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances for which moratorium was offered	**23.853**	**1.038**							
Loans and advances subject to moratorium (granted)	**19.275**	**854**	**270**	**287**	**16**	**505**	**46**	**-**	**-**
of which: Households		841	257	286	13	505	38	-	-
of which: Collateralised by residential immovable property		*750*	*224*	*232*	*10*	*474*	*34*	-	-
of which: Non-financial corporations		12	12	1	4	-	8	-	-
of which: Small and Medium-sized Enterprises		*12*	*12*	*1*	*4*	-	8	-	-
of which: Collateralised by commercial immovable property		*8*	*8*	*1*	-	-	7	-	-

Table 24: Information on newly originated loans and advances provided under newly applicable public guarantee schemes introduced in response to COVID-19 crisis

Millions €	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**578**	**4**	**445**	**8**
of which: Households	**88**			**-**
of which: Collateralised by residential immovable property	-			-
of which: Non-financial corporations	**491**	**4**	**375**	**8**
of which: Small and Medium-sized Enterprises	*389*			*3*
of which: Collateralised by commercial immovable property	-			-

7 Credit risk: Standardised approach

7 CREDIT RISK: STANDARDISED APPROACH

7.1 Identification of external rating agencies used

The external credit rating agencies (ECAIs) used, where applicable, by Unicaja Banco Group to determine the risk weightings 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 mainly in fixed income, loans to large corporates, public administrations and institutions.

7.2 Mapping of ratings of public issues of securities to comparable assets (not included in the trading book)

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

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

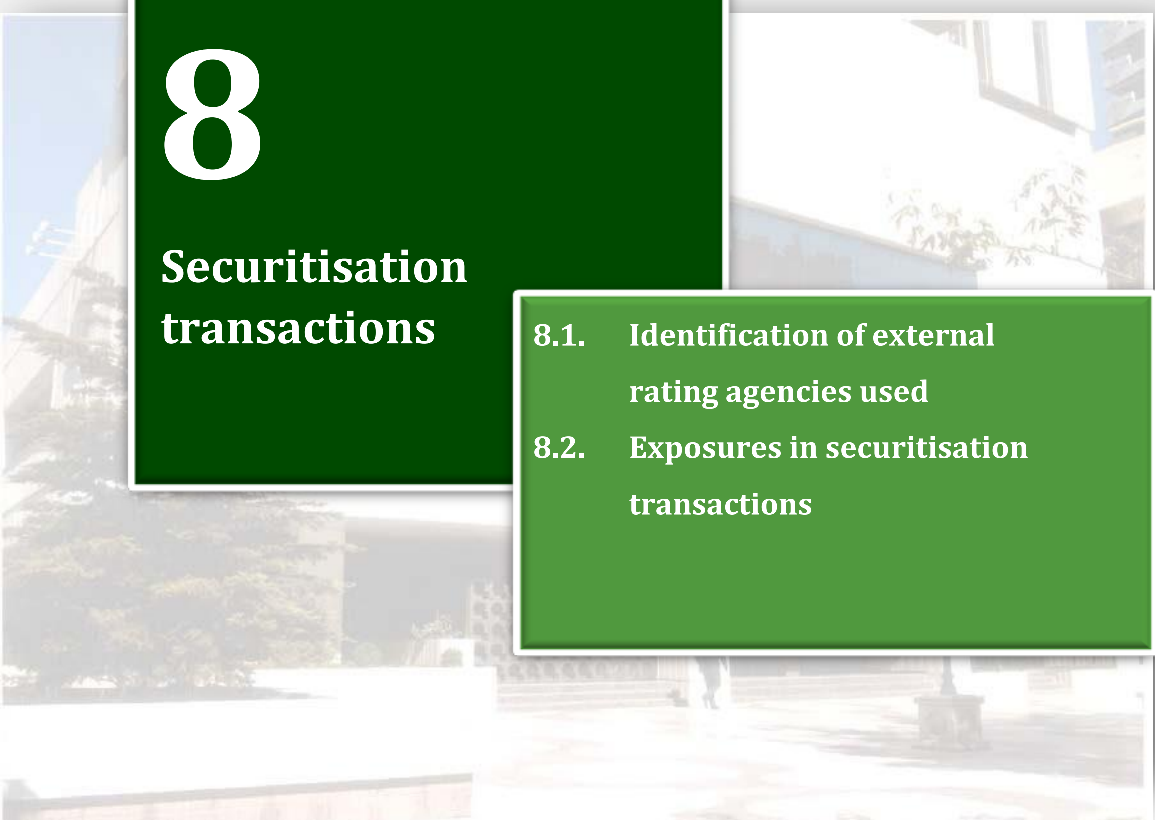
Unicaja Banco Group updates the rating additions or withdrawals that have taken place and the ratings are stored in an information repository generating a history of external ratings for each client.

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

Below there is a breakdown of the Group's credit risk exposures at 31 December 2020 to which the standardised approach has been applied for their estimation, before and after applying the risk mitigation techniques (net exposure) permitted by the Regulation, broken down by exposure category and by credit quality steps (measured by the percentage applied for the purpose of calculating the risk-weighted exposure value).

Table 25: Effect of the application of risk mitigation techniques on credit risk exposures (million euros)

Credit risk categories		0%	2%	10%	20%	35%	50%	75%	100%	150%	Other	TOTAL
Central government or central banks	Exposure net correction and provision	24,439	-	-	-	-	-	-	-	-	-	24,439
	Fully adjusted value of exposure	26,710	-	-	-	-	-	-	-	-	-	26,710
Regional governments or local authorities	Exposure net correction and provision	1,808	-	-	-	-	-	-	-	-	-	1,808
	Fully adjusted value of exposure	1,815	-	-	-	-	-	-	-	-	-	1,815
Public sector bodies	Exposure net correction and provision		-	-	-	-	970	-	-	-	-	1,150
	Fully adjusted value of exposure	740	-	-	-	-	1,000	-	-	-	-	1,740
Entities	Exposure net correction and provision	-	1,147	-	2,364	-	1,663	-	31	-	-	5,205
	Fully adjusted value of exposure	-		-	1,158	-	1,797	-	31	-	-	3,000
Companies	Exposure net correction and provision	-	-	-	-	-	114	-	7,331	30	-	7,475
	Fully adjusted value of exposure	-	-	-	-	-	229	-	4,883	30	-	5,143
Retail exposures	Exposure net correction and provision	-	-	-	-	-	-	6,146	-	-	-	6,146
	Fully adjusted value of exposure	-	-	-	-	-	-	5,476	-	-	-	5,476
Exp. secured by real estate	Exposure net correction and provision	-	-	-	-	13,942	409	-	-	-	-	14,351
	Fully adjusted value of exposure	-	-	-	-	13,942	409	-	-	-	-	14,351
Exposures in default	Exposure net correction and provision	-	-	-	-	-	-	-	798	129	-	928
	Fully adjusted value of exposure	-	-	-	-	-	-	-	786	125	-	911
Item assoc. with particulary high risks	Exposure net correction and provision	-	-	-	-	-	-	-	-	411	-	411
	Fully adjusted value of exposure	-	-	-	-	-	-	-	-	410	-	410
Secured bonds	Exposure net correction and provision	-	-	-	223	-	-	-	-	-	-	223
	Fully adjusted value of exposure	-	-	-	223	-	-	-	-	-	-	223
Collective investment undertakings	Exposure net correction and provision	-	-	-	-	-	-	-	15	-	-	15
	Fully adjusted value of exposure	-	-	-	-	-	-	-	15	-	-	15
Equity instruments	Exposure net correction and provision	-	-	-	-	-	-	-	524	-	289	813
	Fully adjusted value of exposure	-	-	-	-	-	-	-	409	-	289	698
Others	Exposure net correction and provision	480	-	-	-	-	-	-	3,899	-	248	4,627
	Fully adjusted value of exposure	480	-	-	-	-	-	-	3,894	-	248	4,622
Securitisation positions	Exposure net correction and provision	-	-	-	3	-	48	-	69	-	-	69
	Fully adjusted value of exposure	-	-	-	3	-	48	-	-	-	-	51



8 Securitisation transactions

8 SECURITISATION TRANSACTIONS

8.1 Overview of securitisation activity

At 31 December 2020, there is 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 Entity.

The Group's main role in securitisation activity is as an investor through the acquisition of asset-backed securities issued by other entities. These investments also include positions in which the Entity itself is the originator of mortgage bonds.

Unicaja Banco Group does not have securitisation exposures against the trading book or positions in re-securitisations.

In addition, it has no outstanding securitisation assets.

- **Risks associated with securitisation activity.**

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

  In relation to the risk in terms of the seniority of the securitisation positions, asset-backed securities consist of certain tranches according to their credit risk. In increasing order of credit quality, these are:

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

  At 31 December 2020, 100% of the Unicaja Banco Group's securitisation exposure corresponds to senior tranches.

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

  Unicaja Banco Group regularly monitors the securitisations in which it has an outstanding position, using the market price, among others. At 31 December 2020, 100% of the securitisation exposure has a market value.

- **Description of the Entity's policy on the use of personal and hedging guarantees to mitigate risks.**

  Unicaja Banco Group does not use personal guarantees or hedging specifically for the purpose of mitigating the risks of retained securitisation exposures.

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

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

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

  Unicaja Banco Group does not use the internal assessment method.

  Note 2.19 to the consolidated annual accounts of Unicaja Banco Group describe 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 operations by Unicaja Banco Group at 31 December 2020, 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 26: Exposures in securitisation transactions

Type of Securitisation Positions	Amount Exposure (thousands €)
Positions retained in operations in which the group acts **as originator**	-
Positions acquired in transactions in which the group acts **as an investor**	120,432

Compared with the previous year, there was a reduction in exposure due to redemptions of securities.

The detail of the net positions after the substitution effects of the credit risk reduction held by Unicaja Banco Group at 31 December 2020, broken down by the risk weighting bands to which they are assigned, is as follows:

Table 27: Exposures in securitisation transactions by credit quality level

Type of Securitisation Positions	Amount Exposure (thousands €)
Credit quality level 1 (weighted at 20%)	3,242
Credit quality level 2 (weighted at 50%)	47,704
Credit quality level 3 (weighted at 100%)	-
Credit quality level 4 (weighted at 350%)	-
Positions deducted from Own Funds	-
Total Securitisation Positions	**50,947**

9

Credit risk mitigation techniques

9 CREDIT RISK MITIGATION TECHNIQUES

9.1 General information

9.1.1 Policies and processes used for credit risk mitigation

In order to reduce exposure to credit risk and in compliance with Part Three, Title II, Chapter 4 of Regulation (EU) 575/2013 (CRR), Unicaja Banco accepts guarantees to support the financial transactions executed. Guarantees alone do not justify the assumption of risk; however, it is necessary to assess them in the event of possible contingencies.

In relation to guarantees, the following requirements are assessed:

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

- Pledging of cash deposits, pledging of securities and other assets.
- Mortgages on finished homes, offices, warehouses and multi-purpose premises and mortgages on rural properties (deducting, where applicable, previous encumbrances).
- Personal (guarantees, sureties, incorporation of guarantors, etc.), which imply the direct and joint and several liability of those involved in the operation and which are persons or entities whose solvency is sufficiently proven to ensure the total reimbursement of the operation.

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

(c) Commercial discounts are generally subject to the conclusion of a corresponding coverage/counter-guarantee policy.

9.1.2 Techniques applied and guarantees accepted

The main risk mitigation techniques applied, in accordance with Part Three, Title II, Chapter 4, Section 2 of the RRC, are as follows:

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

Unicaja Banco has no credit derivatives at 31 December 2020.

In strict application of Chapter 4, Section 3 of the CRR, the above techniques are admissible if the following requirements are met:

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

Unicaja Banco 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 in accordance with standard ECO 805/2003. In addition, this policy provides for the valuation of assets for normal exposures when a significant decline in value is detected.

9.1.3 Types of guarantors and counterparty risk in credit derivatives

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

These bilateral agreements are signed with the counterparties with which the Bank trades bilaterally and involve the posting of a cash deposit as collateral. This deposit covers the net credit risk position arising from derivative transactions. Transactions subject to a collateral agreement are valued daily, so that an amount of collateral to be paid to or received from the counterparty is obtained on a daily basis. Unicaja Banco monitors the transactions subject to and deposits made by counterparties on a daily basis. The amount of collateral is called if it is to be received or, if not, the demand received from the counterparty is met.

Therefore, the correlation between collateral and guarantor in derivative transactions, because the collateral received is cash, there is no material risk.

On the other hand, given the possibility of a downgrade of Unicaja Banco Group's credit rating, the effect that this could have on the collateral that the Group would have to provide is limited, as the number of collateral agreements conditioned by the Entity's rating is not significant.

9.2 Quantitative information

The following breakdown shows the distribution of Unicaja Banco Group's credit risk exposure at 31 December 2020, broken down according to whether or not credit risk mitigation techniques have been applied and, where applicable, the mitigation technique applied. The exposure data refer to exposures prior to the application of the risk mitigation applied[6].

Table 28: Credit risk mitigation techniques

RC3: Credit risk mitigation techniques					
Amount (thousands €)	**Unsecured Exposures - Carrying Amount**	**Secured exposures Carrying amount**	**Exposures covered by collateral**	**Exposures covered by financial guarantees**	**Exposures secured by credit derivatives**
Total exposures	50,814,946	16,896,987	14,351,334	2,545,653	-
Of which: in default	927,578	301,782	301,782	-	-

Personal Guarantees

The total value of exposures at 31 December 2020 that are hedged through the application of risk mitigation techniques based on the use of personal guarantees is shown below.

[6] *Collateral includes transactions secured by debt securities, shares, receivables and real estate rights acquired as a credit risk mitigation technique.*

Table 29: Credit risk exposures covered by personal guarantees

Risk Category	Eligible Personal Guarantees (thousands €)
Public sector bodies	9,153
Entities	-
Companies	2,422,633
Retailers	596,880
Exposures in default	12,050
Securitisation exposures	69,485

Real guarantees

The table below shows the value of exposures as at 31 December 2020, hedged through the application of risk mitigation techniques consisting of the use of collateral.

Table 30: Credit risk exposures secured by collateral

Risk Category	Eligible Financial Guarantees (thousands €)
Regional governments or local authorities	210
Public sector bodies	777
Entities	2,438,478
Companies	24,683
Retailers	73,490
Exposures in default	4,796
Items associated with particularly high risks	715
Other	2,504

As mentioned above, among the counterparty risk mitigation techniques, Unicaja Banco Group uses framework netting contracts or netting[7] agreements.

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 2020.

Based on the above, in the validation and monitoring of the eligible collateral used to mitigate risk, the Entity has not identified any concentration, in relation to the counterparty, that would prevent these instruments from being effective.

[7] *Further details on netting arrangements and guarantees are presented in note 31.7 to the consolidated annual accounts.*

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 said 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 requirement for price risk associated with the trading book as at 31 December 2020 amounts to EUR 4,672 thousand.

As at 31 December 2020, there are no exposures to large exposures 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

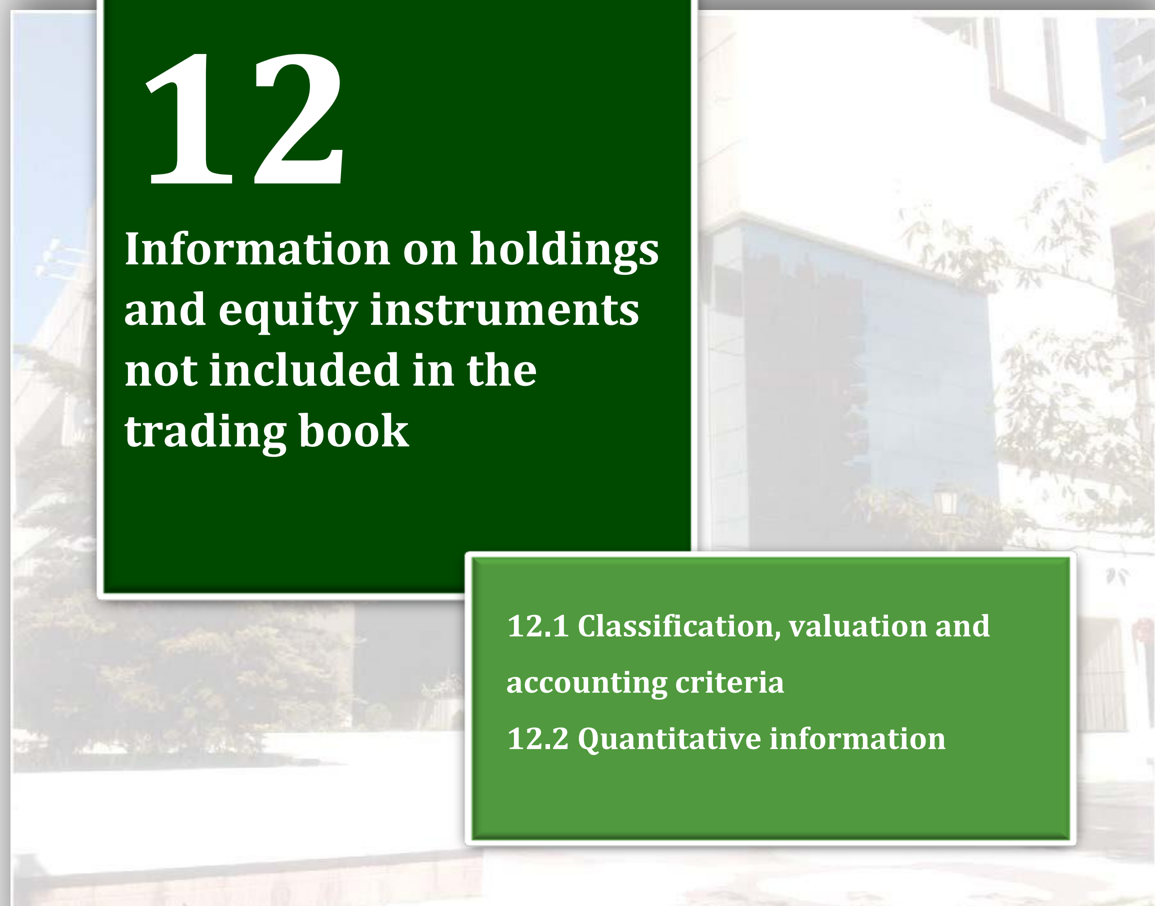
Unicaja Banco has been using the standardised approach for calculating operational risk since 31 December 2017. In this regard, it complies with CRR articles 316-320 in an exercise of adaptation to regulatory requirements. Thus, during 2017 the internal management and control methodologies evolved with a view to changing the model, an action that has a favourable impact on own funds for operational risk.

The calculation of own funds requirements therefore changed from being determined on the basis of 15% 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 2020, the operational risk requirement is **126,421 thousand euros.**

To identify, manage and control operational risk, Unicaja Banco has developed a dual approach model based on a set of quantitative and qualitative tools that complement each other to identify and measure operational risk effectively. In this way:

- Quantitative management assesses the exposure to operational risk by measuring the consequences of operational risks that have materialised in the Entity's operational loss history. From this perspective, the Entity has an operational risk loss database tool that records and quantifies the level of losses associated with operational risk events.
- Qualitative management seeks to identify, assess and anticipate the potential operational risks faced by each of the Entity's areas in order to control and mitigate them should they materialise. Qualitative management 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 book

12.1 Classification, valuation and accounting criteria

12.2 Quantitative information

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

12.1 Classification, valuation and accounting criteria

Notes 1.12.2 and 2.2 to the Group's consolidated financial statements for 2020 include a description of the portfolios in which the Group's equity investments and equity instruments are classified, together with the accounting and valuation criteria applied to each portfolio. These notes also indicate the models and assumptions applied to determine 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 subsidiaries, joint ventures and associates

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

12.2 Quantitative information

The carrying amount of the investments owned by the Group as at 31 December 2020 is 764,835 thousand euros.

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

The following is a breakdown of the Group's exposures to holdings and equity instruments held as at 31 December 2020 excluding exposures in instruments that form part of the trading book as defined for the purposes of capital requirements.

Table 31: Exposures to equity investments not included in the trading book

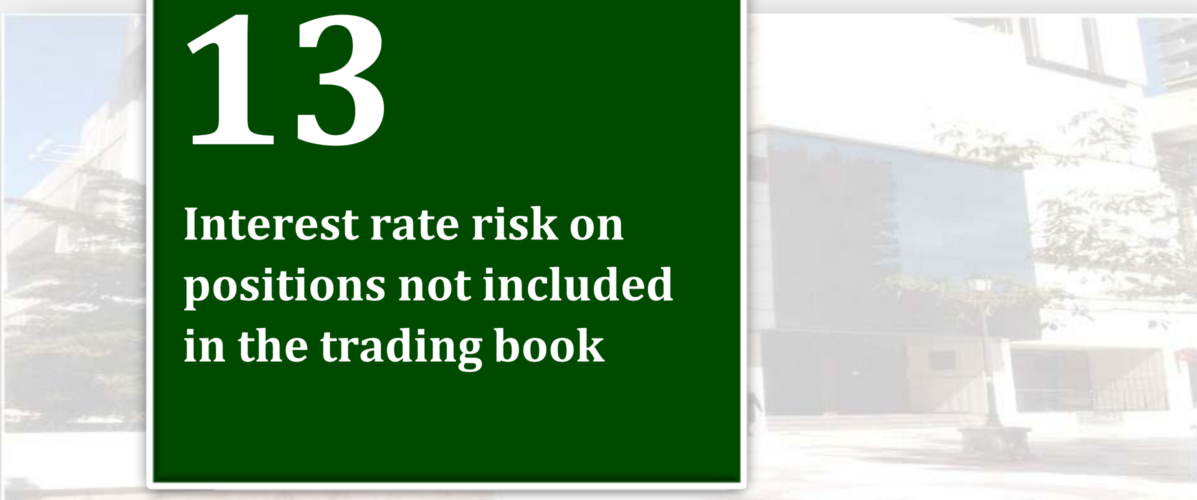
Holdings	Exposure (thousands €)
Holdings listed on organised markets	58,724
Holdings not listed on organised markets	706,111
Total	**764,835**

As at 31 December 2020, there are no significant differences between the market value and the carrying amount of the listed portfolio.

Note 9.3 to the consolidated annual accounts of Unicaja Banco Group details the result of the change in the fair value of financial assets at fair value with changes in other comprehensive income in 2020.

Note 9.1 to the Group's consolidated annual accounts details the most significant changes in this portfolio in 2020, indicating the amount of the results generated.

In addition, note 12.1 to the consolidated annual accounts of Unicaja Banco Group details the result of the change in the fair value of investments in joint ventures and associates accounted for using the equity method. Unrealised gains, net of taxes, on investments in equity instruments classified at fair value with changes in other comprehensive income recognised in Unicaja Banco Group's equity amounted to 66,327 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 Entity's earnings and economic value arising from adverse movements in interest rates affecting interest rate-sensitive instruments.

Interest rate risk management is carried out in an integrated manner by the Assets, Liabilities and Budget Committee (ALCO). This committee is responsible for implementing the procedures that 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 can threaten a bank's current capital base and/or future earnings if not properly managed. Changes in interest rates can affect the underlying economic value of a bank's assets, liabilities and off-balance sheet instruments, as the present value of future cash flows (and in many cases, the amount of cash flows themselves) varies as interest rate movements occur. Changes in interest rates also affect a bank's earnings by increasing or decreasing its net interest income (NII) and the level of other interest rate-sensitive operating income and expenses.

Unicaja Banco considers all the sources, or sub-components, that give rise to IRRBB, which are:

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

Unicaja Banco analyses the materiality of the various IRRBB subcomponents and assigns capital to them in accordance with the IRRBB Capital Adequacy Manual. The monitoring of the various sub-components is carried out on the basis of their materiality.

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

In this regard, Unicaja Banco Group measures and analyses this risk by considering the following aspects and in accordance with the following premises:

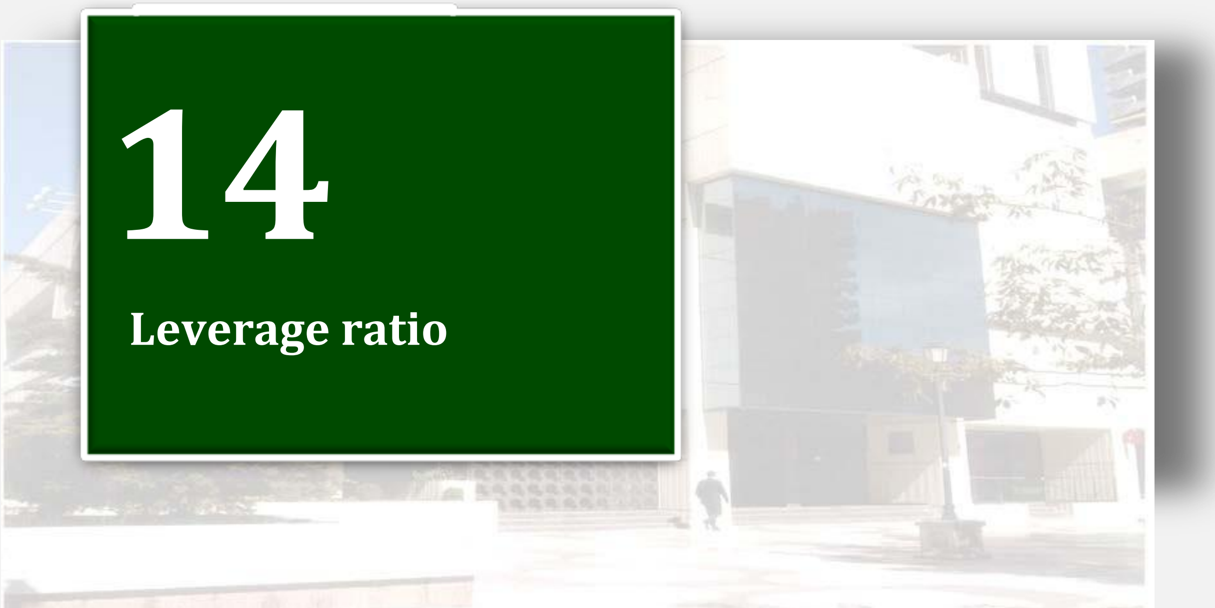
- Risk measurement and analysis are carried out on an ongoing basis.
- An analysis is made of the effects that variations in interest rates in the different currencies in which significant exposures are held could have on the results of Unicaja Banco Group, and on the different margins of the profit and loss account.
- The analysis include all positions that are sensitive to interest rate risk, including interest rate derivatives, both implicit and explicit, and excluding positions that form part of the trading book, as defined above.
- For the purposes of analysing the maturity of transactions, although the contractual maturity of the transactions is generally considered, there are transactions in which other types of assumptions are considered as to their maturity,

either because these exposures do not have certain maturities or because they show a stable behaviour or early redemptions before maturity that differs significantly from their contractual conditions.

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

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

Note 28 to the consolidated annual accounts of Unicaja Banco Group for 2020 includes information with a matrix of maturities or reviews of financial assets and liabilities, depending on the interest rate revision or maturity dates, as at December 2020 and December 2019, as well as the sensitivity of the entity's balance sheet to an unfavourable horizontal shift of the rate curve by 100 basis points, in both economic value and expected 12-month net interest margin, in a scenario of balance sheet maintenance, both as at December 2020 and December 2019.



14

Leverage ratio

14 LEVERAGE RATIO

The information required in the reporting template on qualitative aspects "LRQua" set out in Annex I to Implementing Regulation (EU) No 200/2016 laying down implementing technical standards as regards the disclosure of the leverage ratio of institutions in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council is set out below.

Table 32: LRQUA: Free format text boxes for disclosure of 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 is expressed as a percentage. This ratio relates the Group's assets (without weighting collateralised derivatives or assets deducted from own funds for solvency purposes) plus off-balance sheet exposures (with weighting) to its Tier 1 capital at the reporting date. Unicaja Banco Group controls the risk of excessive leverage 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 included in its Risk Appetite Framework, setting targets and limits, the evolution of which is monitored by Senior Management and governing bodies. This ensures that the ratio comfortably exceeds the minimum regulatory levels required.
	Description of factors that had an impact on the leverage ratio to which the period to which the disclosed leverage ratio refers	In 2020, Unicaja Banco Group's leverage ratio decreased by 33 b.p. compared to the previous year, the main components of this change being as follows: • Increase in the numerator (Tier 1 Capital) totalling 195 million, mainly due to the transitional effect of IFRS 9 introduced by Regulation (EU) 2020/873 (*Quickfix*), the increase in reserves due to the computable profit for the year and the limitation of dividend payments following the ECB recommendation 2020/62, as well as higher capital gains on portfolios. • 6,264 million increase in the value of exposure mainly due to the reinvestment of liquidity received in wholesale markets, this effect being partially offset by the application of the exemption for exposures to central banks in accordance with Regulation (EU) 2020/873 (*Quickfix*).

Table 33: LRCom table. Leverage ratio common disclosure table

Thousands €	Exposures corresponding to the CRR leverage ratio	
	On-balance sheet exposures (excluding derivatives and securities financing transactions)	
1	On-balance sheet items (excluding derivatives, securities financing transactions and fiduciary assets, but including collateral)	58,695,397
2	(Assets amounts deducted in determining Tier 1 capital	-341,362
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (Sum of lines 1 and 2)**	**58,354,035**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions	11,060
5	Add-on amounts for PFE (Potential Future Exposure) associated with all derivatives transactions (mark-to-market methods)	105,890
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 derivative 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 derivative exposures (sum of lines 4, 5, EU-5a, 6, 7, 8, 9 and 10)**	**116,950**
	STFs exposures	
12	Gross SFT assets (with no recognition of netting), after adjustments for sales accounting transactions	2,477,774
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposures for SFT assets	28,851
EU-14a	Derogation for SFTs: counterparty credit risk exposure in accordance with Article 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)**	**2,506,625**
	Off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	3,519,038
18	(Adjustments for conversion to credit equivalent amounts)	-2,388,261
19	**Off-balance sheet exposures (Sum of lines 17 and 18)**	**1,130,777**
	Exempted exposures under Article 429(7) and (14) of Regulation (EU) No 575/2013 (on- and off-balance sheet)	
EU-19a	(Intragroup 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)).	3,704,738
	Capital and total exposure measure	
20	Tier I Capital	3,787,064
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	62,108,387
	Leverage Ratio	
22	Leverage Ratio	6.10%

Table 33: Table LRCom. Common leverage ratio disclosure table

Thousands €	Exposures corresponding to the CRR leverage ratio	Thousands €
22a	Leverage Ratio (excluding the impact of any temporary exclusion applicable to exposures to central banks [8])	5.8%
	Choice of transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	Transitional
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013.	-

Table 34: Table LRSpl. Split-up of on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

	Thousand €.	Exposure value corresponding to the leverage ratio: exposures under to the standardised approach (010)
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures) of which:	58,695,398
EU-2	Trading book exposures	171,964
EU-3	Banking portfolio exposures, of which:	58,523,434
EU-4	Covered bonds	222,847
EU-5	Exposures treated as sovereign	23,308,772
EU-6	Exposures to regional governments, multilateral development banks, international organisations and public sector bodies not treated as sovereign	631,026
EU-7	Institutions	2,595,106
EU-8	Secured by mortgages of immovable properties	14,334,000
EU-9	Retail exposures	4,845,996
EU-10	Corporate	6,124,587
EU-11	Exposures in default	799,274
EU-12	Other exposures (e.g. equities and other assets other than credit obligations)	5,661,826

[8] From September 2020 onwards, the leverage ratio is calculated considering the balances temporarily excluded by Regulation (EU) 2020/873.

Table 35: Table LRSum. Summary of reconciliation of accounting assets and leverage ratio exposures

	Thousand €.	Exposure value corresponding to the leverage ratio: exposures under the standardised approach (010)
1	Total assets as per published financial statements	65,544,265
2	Adjustment for entities which are consolidated for accounting purposes, but are outside the scope of regulatory consolidation	-664,000
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	-504,767
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)	1,130,777
EU-6a	(Adjustments for exempted intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013.)	-
EU-6b	(Adjustments for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013).	-
7	Other adjustments	-3,397,888
8	Leverage ratio total exposure measure	62,108,387

15

Encumbered assets

15 ENCUMBERED ASSETS

The information presented in this chapter complies with the requirements of Article 443 of Part Eight of the CRR and Commission Delegated Regulation (EU) 2017/2295 of 4 September 2017 supplementing Regulation (EU) no. 575/2013 of the European Parliament and of the Council with regard to regulatory technical standards for disclosure of encumbered and unencumbered assets.

An asset shall be considered 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 collateral, personal or real, for any transaction or to enhance the credit quality of the transaction.

As of 31 December 2020, there are no differences between the regulatory scope of consolidation used in this report and the scope of consolidation delineated for the application of the requirements used to define the eligibility of HQLA.

An asset is encumbered to secure or collateralise obligations owed to creditors. There are transactions which, although pledged, are not considered to be encumbered assets. These are assets that are pledged because they have been pledged as collateral for financing transactions, but are not encumbered because they have not been fully drawn down.

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

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

The structure of intragroup charges is not significant in relation to total encumbrances. In addition, based on the criteria set out in Article 415(2) of Regulation (EU) 575/2013, there is no significant impact due to currencies other than the reporting currency.

During 2020 there was an increase in encumbered assets mainly on debt securities, due to an increase in repurchase agreements in money markets amounting to 3,680 million euros, higher pledging of assets due to the renewal of the TLTRO amounting to 1,625 million euros and pledging of other assets in favour of financial customers amounting to 504 million euros.

The degree of overcollateralisation measured as eligible mortgage portfolio over outstanding covered bonds has increased from 417% to 434%, due to maturity of issues over the year 2020, reflecting a higher capacity to utilise unencumbered assets.

Of the total encumbered assets for loans and advances other than demand loans, at 31 December 2020, 5.87% are retained assets. Notes 17.3 and 46 to the consolidated annual accounts 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 2020 following the EBA instructions on disclosure of information on encumbered and unencumbered assets.

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

Table 36: Encumbered and unencumbered assets. Data in thousands of euros

Encumbered and unencumbered assets. Data in thousands of euros								
Assets	**Carrying amount Encumbered assets**		**Fair value of encumbered assets**		**Carrying 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**
Total	**15,327,410**	**10,269,922**	**10,451,734**	**10,434,929**	**46,611,888**	**15,421,720**	**11,983,682**	**10,479,170**
Equity instruments	-	-	-	-	474,196	-	471,714	-
Debt securities	10,286,494	10,269,922	10,451,734	10,434,929	11,213,991	10,113,444	11,534,260	10,479,170
of which: covered bonds	173,175	173,175	177,112	177,112	113,695	113,695	116,762	116,762
of which: asset-backed securities	-	-	-	-	51,825	49,734	51,380	49,159
of which: issued by Public Administrations	7,936,435	7,936,435	8,096,626	8,096,626	9,237,422	9,237,422	9,597,798	9,597,798
of which: issued by financial corporations	2,350,059	2,333,487	2,355,108	2,338,303	1,906,825	906,223	1,959,689	917,663
of which: issued by non-financial corporations	-	-	-	-	157,134	36,976	72,356	37,010
Other assets	5,068,947	-	-	-	35,001,622	5,313,182	-	-
Of which: loans and advances other than demand loans	*4,367,379*	-	-	-	*24,346,550*	-	-	-

In 2020, the median of encumbered assets under the EBA ratio calculation criteria represented 24.97% of the sum of assets and collateral received at year-end, which means that the median is 3.41% higher than the previous year; however, the group's moderate use of assets as collateral in balance sheet financing continues to be demonstrated.

The “Other assets" heading of unencumbered assets include demand loans, loans and advances and also include 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 estate investments, property, plant and equipment, other intangible assets (including goodwill), deferred tax assets and other assets. These balance sheet items represent 75% of total unencumbered assets.

Collaterals received as at 31 December 2020 amount to 2,370 million euros, of which 1,916 million euros are reverse repurchase agreements, with 731 million euros being reused. The remaining collateral is collateral received totalling 411 million euros.

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

Table 37: Collateral received by type of asset. Data in thousands of euros

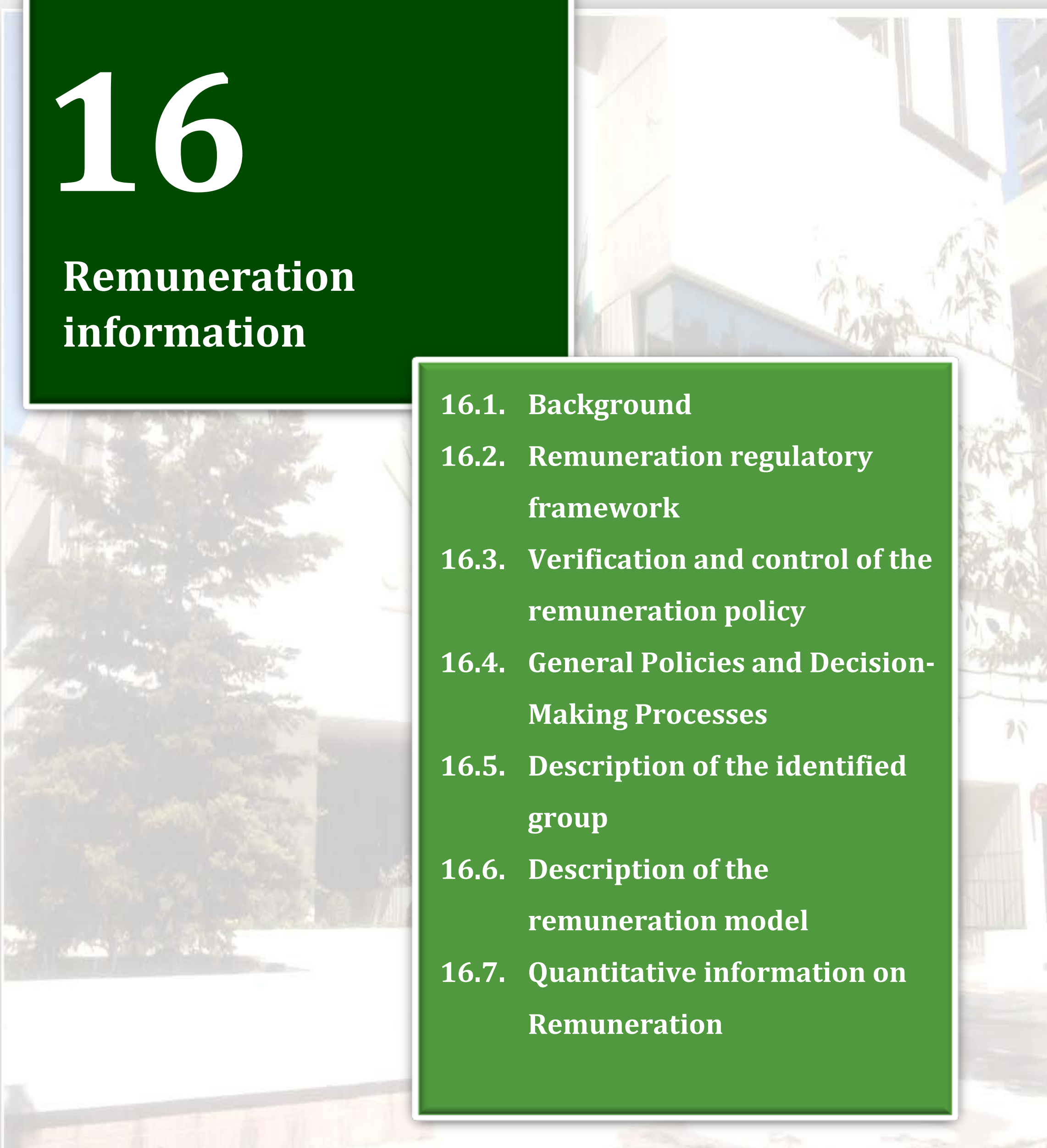
Collateral received by type of asset. Data in thousands of euros				
Guarantees received	**Fair value of collateral received with encumbrances**		**Fair value of collateral received available for encumbrance**	
		of which EHQLA and HLQLA		**of which EHQLA and HLQLA**
Collateral received by the reporting entity	**731,324**	**731,324**	**1,638,652**	**1,184,844**
Sight loans	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	731,324	731,324	1,184,846	1,184,844
of which: covered bonds	-	-	-	-
of which: asset-backed securities	-	-	-	-
of which: issued by Public Administrations	731,324	731,324	1,094,431	1,094,431
of which: issued by financial corporations	-	-	91,376	91,376
of which: issued by non-financial corporations	-	-	-	-
Loans and advances other than sight loans	-	-	-	-
Other collateral received	-	-	411,310	-
Own debt securities issued other than covered bonds or own asset-backed securities	-	-	-	-
Collateralised bonds and own asset-backed securities issued and not yet pledged	-	-	-	-
Total assets, collateral received and own debt securities issued	**16,153,393**	**11,095,904**	-	-

The financial liabilities associated with the assets and collateral received with encumbrances are shown in the table below:

Table 38: Liabilities associated with assets and collateral received with encumbrances

Data (Thousands €)	Associated liabilities, contingent liabilities or encumbered securities	Assets, liabilities received and own debt securities issued other than covered bonds and securitisation covering assets with encumbrances
Book value of selected financial liabilities	**15,136,200**	**15,800,001**

As for encumbered assets acting as collateral for certain obligations, the main sources encumbrance amount to 15,136,200 thousand euros and include the amount drawn down under the ECB policy (33%), mortgage bonds and guarantees (32%), financing through repurchase agreements (32%), and the restore derivatives and securities lending.



16

Remuneration information

16 REMUNERATION INFORMATION

16.1 Background

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

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

In this regard, Unicaja Banco Group's general remuneration policy 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 Group's business strategy, objectives, values and long-term interests and includes measures to avoid conflicts of interest. To this end, transparency is crucial to the achievement of all these objectives.

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

- It shall promote and be consistent with a sound and effective risk management, and shall not provide incentives to take risks beyond the level tolerated by the Entity, taking as a reference, as far as applicable, the Risk Appetite Framework approved by the Board of Directors.
- 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, as approved by the Board of Directors, shall be taken into account, to the extent applicable.
- 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, irrespective of the results of the business areas they control.
- The remuneration of senior executives in charge of risk management and with compliance functions will be directly supervised by the Remuneration Committee.
- A clear distinction will be made between the criteria for the establishment of the different components of the overall remuneration, and shall broadly correspond to the following parameters:
    - For fixed remuneration, this shall primarily reflect relevant professional experience and responsibility in the organisation as stipulated in the job description as part of the conditions of employment.
    - Variable remuneration, where it is expected to accrue and be paid, should reflect sustainable and risk-adjusted performance and performance in excess of that required to meet the job description as part of the terms and conditions of employment.

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

Considering that the scope of this report covers Unicaja Banco Group, the information relating to the Group itself and its parent company, Unicaja Banco, S.A., is set out below.

16.2 Regulatory framework on remuneration

Since the onset of the international financial crisis, numerous regulatory initiatives on remuneration have been adopted, some of them merely recommendations and others binding, at national, European and international level. The following table sets out, without being exhaustive, some of the most important initiatives:

Table 39: Regulatory framework on remuneration

Regulatory Initiatives	Source	Date
Principles for sound compensation practices	FSB	April-09
High-level principles for remuneration policies	CEBS	April-09
Recommendation on remuneration the financial services 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 own funds of financial institutions.	Government	June-11
Bank of Spain Circular 4/2011, amending Bank of Spain 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 remuneration report for directors of listed companies and members of the board of directors.	CNMV	June-13
Royal Decree Law 14/2013 on urgent measures to adapt 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 Capital Companies Act to improve corporate governance.	Cortes	December-14
Royal Decree 84/2015 implementing Law 10/2014	Government	February-15
Circular 7/2015, of the CNMV, of 22 December, amending Circulars 4/2013 and 5/2013.	CNMV	December-15

Table 39: Regulatory framework on remuneration

Regulatory Initiatives	Source	Date
Bank of Spain Circular 2/2016 to credit institutions on supervision and solvency, supplementing 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 of products and the provision of retail banking services	EBA	December-16
Guidelines on Internal Governance (GL 2017/2011)	EBA	March-18

At present, as far as Spain is concerned 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 prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.
- Law 10/2014 of 26 June 2014 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 2016 to credit institutions on supervision and solvency, supplementing the adaptation of Directive 2013/36/EU and Regulation (EU) No 575/2013 to the Spanish Legal System.

In this regard, Art. 85 of Law 10/2014, Art. 93 of Royal Decree 84/2015 and Rule 59 of Circular 2/2016, all of them in relation 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 on an annual basis and duly integrated in a single document called Pillar III Disclosure, specific information on those aspects of 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 institutions, their market strategy, risk control, internal organisation and situation with a view to complying with the minimum capital requirements laid down in the solvency regulations. Among other things, it shall disclose certain information on its remuneration policy and practices, including salaries and discretionary pension benefits, in relation to its directors and other senior management, risk-taking employees and employees exercising control functions, as well as any employee receiving an overall remuneration that includes them in the same remuneration scale as the directors, senior management and risk-taking employees whose professional activities have a material impact on the Entity's risk profile ("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 Art. 450 of Regulation (EU) No. 575/2013.

In those cases where the Spanish regulations described above are not sufficiently specific, the guidelines and directives 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 remuneration policy

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

The Entity also has a General Incentive Scheme for Unicaja Banco, applicable to all members of the Identified Group of the parent company Unicaja Banco.

The latter applies to the so-called "identified group", which is made up of directors, senior managers, risk-taking employees, those exercising control functions, and any employee receiving overall remuneration that includes them in the same remuneration scale as senior managers and risk-taking employees, 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 should ensure that the Remuneration Policy and its implementation are assessed at least once a year to verify compliance with the remuneration guidelines and procedures adopted by the management body in its supervisory function.

In this regard, it verifies annually that the Entity's remuneration practices do not encourage the assumption of risks above the tolerated level and are in line with the guidelines and broad 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.

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

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

16.4 General Policies and Decision-Making Processes

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

The following is a description of Unicaja Banco's organisational structure related to the "Remuneration Policy Associated to Risk Management", as well as the decision-making process, apart from the powers attributed to the General Meeting of Shareholders Meeting, both by law and by the Bylaws.

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 ensuring the correct application of these principles in Unicaja Banco. Accordingly, the Board of Directors is competent to approve the Policy and subsequent amendments thereto, with the support of the Remuneration and Risk Committees, where appropriate.

According to the Bylaws, the Board of Directors shall submit proposals for the appointment of directors to the General Meeting for consideration, who shall hold office for a term of four years and may be re-elected indefinitely for terms of the same duration.

Remuneration Committee

The Board of Directors has set up a Remuneration Committee, which is responsible for proposing and reporting on remuneration matters, in particular with respect to the "identified group", which shall in any case include the members of the Board of Directors, 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 and a maximum of five directors 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 shall be appointed by the Board of Directors, taking into account the knowledge, experience and skills required for the duties to be performed. At least one of the members of the Committee must have knowledge and experience in the field of remuneration policies.

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

- Ensure compliance with the remuneration policy established by Unicaja Banco.
- Prepare remuneration decisions, including those with implications for the Entity's risk and risk management, to be taken by the Board of Directors.
- Propose to the Board of Directors the remuneration policy for Directors and Senior Executives, as well as the individual remuneration and other contractual conditions of executive Directors and Senior Executives, ensuring compliance therewith.
- Prepare a specific report to accompany the proposed Remuneration Policy of the Board of Directors.

During 2020, Unicaja Banco's Remuneration Committee met a total of 6 times.

As at 31 December 2020, the members of the Remuneration Committee were as follows:

- Mr. Victorio Valle Sánchez (Chairman)
- Mr. Agustín Molina Morales (Secretary)
- Ms. Ana Bolado Valle (Member)
- Mr. Manuel Conthe Gutiérrez (Member)
- Ms. Petra Mateos-Aparicio Morales (Member)

Risk Committee

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

For this purpose, the Risk Committee shall examine, without prejudice to the functions of the Remuneration Committee, whether the planned incentive policy takes into account risk, capital, liquidity, probability and timing of returns.

During 2020, Unicaja Banco's Risk Committee met on a total of 11 occasions.

As at 31 December 2020, 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)
- Ms. María Luisa Arjonilla López (Member)

Other bodies and units

In the organisational structure of the parent company Unicaja Banco, the different functions relating to the remuneration policy are the responsibility of the following departments, without prejudice to the involvement of other departments, divisions or corporate functions in the process of drawing up, applying or reviewing the policy: Directorate of Secretariat of Governing and Management Bodies, Human Resources Directorate, Internal Audit Directorate, Global Risk Control Corporate Directorate , and Directorate of Regulatory Compliance.

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

- General Directorate of the General and Technical Secretariat: To organise, convene and assist in all the activities of the Governing and Management Bodies, communicating the resolutions adopted and following up on 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 the communications and send the documentation to the appropriate bodies and institutions in relation to the activities of the Governing and Management Bodies, as well as coordinating the completion of the reports and reports that must be approved or taken into consideration.
- Human Resources Directorate: To propose and implement the Human Resources policy, developing systems and procedures suited to Unicaja Banco's needs, as well as participating in and advising on the preparation and evaluation of the Entity's Remuneration Policy, including the remuneration structure, remuneration levels and incentive programmes, so as not only to attract and retain the staff the Entity needs, but also to ensure that the policy is appropriate to the Entity's risk profile.
- Internal Audit Directorate: To carry out an independent and objective review of the quality and effectiveness of the Bank's internal control system and risk management framework, in addition to carrying out, at least once a year, a central and independent internal assessment of Unicaja Banco's Remuneration Policy in order to check whether the remuneration guidelines and procedures adopted by the Board of Directors are being complied with.
- Global Risk Control Corporate Directorate: To be responsible for controlling all risks incurred by the Entity, taking as a reference the RAF in force at any given time; to contribute to defining risk-adjusted performance measures and assess how the variable remuneration structure affects the risk profile and culture of the Entity; to validate and assess risk adjustment data and to cooperate as necessary with the Remuneration and Risk Committees.
- Regulatory Compliance Directorate: To ensure compliance with applicable external and internal regulations, as well as to analyse how the Remuneration Policy affects the Entity's compliance with legislation, internal policies and risk culture, and to report all compliance risks and non-compliance issues 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 identified group includes directors, senior managers, risk-taking employees, those exercising control functions, and any employee receiving overall remuneration that includes them in the same remuneration scale as senior managers and risk-taking employees, whose activities have a significant impact on Unicaja Banco's risk profile at group, parent company and subsidiary level.

The Entity, through the Remuneration Committee, shall keep the composition of the Identified Group permanently updated, which shall be available to the European Central Bank, the Bank of Spain and the external and internal auditors, at the central offices of the Human Resources Directorate.

At 31 December 2020, the aforementioned group was made up of 76 people, representing 1.26% of the Unicaja Banco Group's workforce. Specifically, this group consisted of:

- 2 Executive Directors of Unicaja Banco.
- 10 Non-Executive Directors of Unicaja Banco

- 3 independent directors of Banco Europeo de Finanzas.
- 12 members of the Senior Management of Unicaja Banco.
- 5 members of the Senior Management of Group companies.
- Unicaja Banco Managers of: Internal Validation, Treasury and Capital Markets, Investor Relations, Market Analysis and Strategy, Balance Sheet Management, Asset Management, Risk Analysis, Analysis of Companies and Institutions, Analysis of Individuals, Credit Risk Control and Monitoring, Credit Risk Models, , Real Estate, Investees, Corporate Banking, Specialised Banking, Means of Payment, Consumer Credit and Point-of-Sale Financing, Syndicated Finance, Financial and Tax Information, Efficiency and Research, Human Resources, Technology, Planning, Analytics and Data, CEO Secretariat, Commercial Strategy, Business Intelligence and Digital Banking, Operations, Customer Service, Organisation and Transformation and Innovation.
- Unicaja Banco's Territorial Managers of: Malaga, Castilla La Mancha-Madrid, Eastern Andalusia and Western Andalusia, Leon and Salamanca.
- Data Protection Officer of Unicaja Banco.
- The heads of the following Unicaja Banco Areas: Capital, Key Processes, Cybersecurity, Risks, Back Office, Front Office, Middle Office and Data Governance and Quality.

16.6 Description of the remuneration model

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

This system is in line with the provisions of the "Remuneration Policy Associated to Risk Management", taking into account that its practical application is in line with the principle of proportionality that inspires the regulations on this matter, the low risk profile of Unicaja Banco, as well as the low amount of its variable remuneration.

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

Overall remuneration

The remuneration policy and the remuneration practices contained therein govern, in particular, 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 overall remuneration policy, as indicated in previous sections of this chapter, it is established that remuneration will promote and be compatible with adequate and effective risk management, without incentives to assume risks that exceed the level tolerated by the Entity, taking as a reference, as applicable, the RAF approved by the Board of Directors, as well as with the business strategy and the long-term objectives, values and interests of the Unicaja Banco Group, avoiding conflicts of interest.

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

With regard to the remuneration system for staff not included in the identified group, it is subject to the provisions of the applicable legal regulations, the sectorial collective bargaining agreement, the agreements reached at company level with the legal representation of the workers and the stipulations of individual agreements.

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

Variable remuneration

Where remuneration includes variable components, a balanced and efficient relationship between variable and 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, with the principle of proportionality being applied in all cases:

- The total variable remuneration shall not limit the Entity's ability to reinforce the strength of its capital base.
- It shall be reduced at the time of performance evaluation, in the event of a 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 a negative performance of other parameters, such as the degree of achievement of budgeted objectives. In any case, the reduction of variable remuneration will occur whenever a requirement or recommendation by the competent authority to restrict the dividend distribution policy is in force.
- Up to 100% of the total variable remuneration shall be subject to remuneration reduction or recovery clauses (malus and clawback arrangements) in the event of poor financial performance, either for the Entity as a whole or for a specific Division, Directorate or Unit whose performance is significant for the Entity.
- Guaranteed variable remuneration shall not be compatible with sound risk management and the principle of rewarding performance and therefore shall not form part of any remuneration plans and shall be exceptional; it may only be applied when new staff are recruited and the Entity has a sound and solid capital base, and shall be limited to the first year of employment. Between 40% and 60% of the variable remuneration to be paid by the Entity to the members of the IC shall be deferred over a certain period, taking into account the economic cycle, the nature of the business, its risks and the activities of the person concerned, which shall in no case be less than three years or more than five years.

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

  a) Executive Directors:

At least 40% of the variable remuneration accrued each year shall be deferred for a period of three to five years, subject to ex post adjustments for performance and for the evolution of the Entity's risk, capital and liquidity in the period to which they relate.

b) Other members of the Management Committee:

40% of the variable remuneration accrued each year will be deferred for a period of three to four years and will be subject to ex post adjustments for performance and for the evolution of the Entity's risk, capital and liquidity in the period to which they relate.

c) Other members of the identified group:

40% of the variable remuneration accrued each year will be deferred for a period of three years, subject to ex post adjustments for performance and for the evolution of the Entity's risk, capital and liquidity in the period to which they relate.

- At least 50% of the variable remuneration of all members of the identified group, whether deferred or not, shall be paid in instruments linked to the evolution of Unicaja Banco's shares and, where possible, other types of instruments determined by the supervisor that adequately reflect the Entity'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 such cases, where remuneration is performance-related, the entitlement to and the total amount of remuneration shall be based on objective indicators.

The Bylaws provide that part of the remuneration of executive Directors may be variable, correlated to some indicator of the performance of the Director or of the company. Within the framework of the Remuneration Policy, the Company's General Incentive Scheme, the specific scheme for executive directors and the contractual agreements therein, the Board of Directors shall establish and evaluate for each financial 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.

Characteristics of the Annual Variable Remuneration Systems for the Identified Group.

Incentive Schemes for the Identified Group shall be approved annually:

- Incentive scheme for executive directors.
- Incentive Scheme for Key Personnel.
- Incentive scheme for the Rest of the Identified Group.

With the following general calculation scheme, which will determine the amount of variable remuneration to be received, this being the result of multiplying the index of compliance with objectives (ICO) in the financial year, by the modulators that are set annually, by the base incentive that is stipulated; all of this, subject to compliance with the restrictions that are established both at a general level and by system.

Applicable restrictions (a)

Amount to be received = ICO (b) x Applicable modulators (c) x Base or reference incentive (d)

(a) In addition to the aforementioned restrictions (percentage of fixed over variable remuneration, ex-ante and ex-post adjustments, deferral, payment in instruments, etc.), key restrictions will be established for each financial year, and partial non-compliance will not be permitted for these, which may be either general or specific to each system. As general restrictions, compliance with the general and specific principles determined in the regulations will be considered, and as restrictions per system, as a general rule, it will be required to obtain at least the budgeted recurring BAI (Profit Before Tax), as well as not to reach the limit in any basic metric of the RAF synthetic indicator established for the year, which will be composed of certain RAF metrics selected among which will be found, preferentially:

- CET1 Fully-loaded Ratio
- Leverage Ratio
- Efficiency Ratio
- NSFR
- Distance in rating to "Peer Group" (Nº of Notch)
- CET 1 Fully Loaded Sensivity to credit spread impact in the portfolio
- Cost of credit impairment over total exposure

(b) The index of compliance with objectives (ICO) is a synthetic index that shows the degree of achievement of the objectives assigned to each employee or unit, calculated as the weighted average of the degree of compliance achieved in each of the variables-objectives assigned to them.

In order to be eligible for incentives, the minimum percentage of compliance that must be obtained at the end of the financial year will be established, as well as the maximum percentage attainable. In the last systems approved, in order to be entitled to receive incentives, an ICO at the end of the financial year of at least 90% was established, and the indicator for each variable was limited to a maximum of 120%, with the ICO ranging from 0 to 120.

(c) The modulators of the index of compliance with objectives are indicators that increase or decrease the ICO depending on the circumstances defined at Entity, Unit and/or individual level for each of the systems. As Entity modulators, the following shall preferably be used:

- Synthetic indicators of compliance with the Business Plan.

- Recurrent BAI (budget overrun).

- RAF synthetic indicators.

And at the Individual level, the evaluation of the performance.

(d) The annual reference amount for the calculation to be paid as incentives will be determined according to the incentive system, being able to determine either a general percentage of variable remuneration over fixed remuneration, or an amount per position performed in the financial year to which the payment corresponds, in both cases, always respecting the maximum limit of 100% of variable remuneration over fixed remuneration.

The payment of incentives will be made once the Annual Accounts have been approved by the General Meeting of Shareholders, and once the results of compliance with the objectives, variables and performance evaluation corresponding to each System have been analysed, in order to determine compliance with the applicable general requirements, to which payment of the incentives is also conditional.

The Entity shall determine for each system, on the basis of the analysis of results provided for in the preceding paragraph, the total gross amount to be paid in the financial year as incentives. For these purposes, compliance with prudential capital requirements and, where applicable, the obligation to calculate the MDA and the imposition of limitations on the determination and payment of variable remuneration must be taken into account.

In the event that the established calculations determine a total amount to be paid in excess of that established by the Entity, the gross individual amounts to be paid as incentives shall be reduced directly in proportion, so that the total amount paid does not exceed the aforementioned quantitative limit.

Once a certain amount of variable remuneration has been obtained, the payment of the deferred amounts in subsequent years will be conditional upon the non-occurrence of circumstances that would give rise to the application of the malus clauses.

Exclusively for the Rest of the Identified Group, under the interpretation of the principle of proportionality, the neutralisation of the principles of deferral, withholding and payment in instruments will be permitted, provided that the amount to be received by each of the persons affected by this system does not exceed in any of the cases the annual amount of 50,000 euros or correspond to at least 50% of the fixed remuneration.

For the Identified Group, variable remuneration already paid in cash or shares will be subject to recovery if any of the circumstances set forth in the Remuneration Policy and set forth in the section "Risk adjustment requirements applicable to variable remuneration" of this document occur within three years after the payment thereof.

Motivated by the health and economic crisis derived from COVID-19, for the 2020 financial year, based on the aforementioned premises, an agreement was adopted to deactivate the incentive systems for the members of the Identified Group. However, three members of this group have received incentives corresponding to 2019, as they were not part of this group in the accrual year.

Discretionary pension benefits

Discretionary pension benefits are generally defined as discretionary payments granted by a credit institution on an individual basis to its staff under a pension scheme or other instrument providing retirement benefits and which can be assimilated to variable remuneration. In no case shall they include benefits granted to an employee in accordance with the pension system of the Institution for the generality of the staff.

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

For executive directors, general managers and similar staff, a significant part of the contributions to pension commitments or savings insurance covering similar contingencies, which shall not be less than 15%, shall be based on variable components and treated as discretionary benefits.

Risk adjustment requirements applicable to variable remunerations

The following requirements are set out in the Entity's Remuneration Policy Associated to Risk Management:

- Between 40 and 60 per cent of the variable remuneration shall be deferred over a period, taking into account the economic cycle, the nature of the business, its risks and the activities of the person concerned, which may in no case 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 appropriately reflect the Entity's credit rating.

Variable remuneration, including the deferred portion, shall be paid or consolidated only if it is sustainable in accordance with Unicaja Banco's financial situation, and if it is justified on the basis of the results of the Entity, the business unit and the individual concerned.

Without prejudice to the application of the general principles of law in contractual, labour and commercial matters, the total variable remuneration shall be significantly reduced when Unicaja Banco obtains poor or negative financial results, taking into account both the current remuneration and reductions in payments of previously accrued amounts, where applicable, through clauses for the reduction of remuneration or the recovery of remuneration already paid.

In this regard, up to 100% of the total variable remuneration of the identified group will be subject to clauses for reduction of remuneration and recovery in the event of poor financial performance, either for the Entity as a whole or for a specific Division, Directorate or Unit whose performance is significant for the Entity.

Factors to be taken into account for this purpose should include, at least:

a. Material risk management failures committed by the Entity or by a significant Division, Directorate or Unit.

b. The increase in the Entity, a Division, Directorate or Unit of its capital requirements that were not foreseen at the time the exposures were generated.

c. Regulatory sanctions or court convictions for acts that could be attributable to a Division, Directorate or Unit, or to those responsible for them.

d. Significant misconduct, whether individual or collective. Particular consideration shall be given to the negative effects arising from inappropriate marketing of products and the responsibilities of the persons or bodies that made those decisions.

In particular, in relation to the deferred variable remuneration pending payment, the following list of circumstances shall be considered for the purpose of its possible reduction, provided that there is wilful or grossly negligent conduct directly attributable to the member of the Identified Group:

a. The underlying financial condition of the Entity has worsened significantly.

b. An increase in the Entity's capital requirements as a result of a decision taken by the Division, Directorate or Unit in which the member of the Identified Group works or has worked, which was not foreseen at the time the exposure arose.

c. The financial performance of the Entity or the Division, Directorate or Unit in which the member of the Identified Group works or has worked has been significantly reduced.

d. The Entity or the Division, Directorate or Unit in which the member of the Identified Group works or has worked has suffered from incorrect or inadequate risk management.

e. The Entity has been required or is required to restate any of its financial statements for any of the financial years included in the vesting period or the deferral period, where such restatement is not the result of a regulatory change, and the restatement results in an amount of variable remuneration to be paid that is lower than the amount initially accrued.

f. A requirement or recommendation by the competent authority addressed to the Entity to restrict its dividend distribution policy is in force.

g. The occurrence of circumstances that determine the appropriate disciplinary dismissal of the member of the Identified Group in accordance with applicable labour legislation or, in the case of a Director, the occurrence of circumstances that give rise to his removal from the post of director due to a breach of his duties, the performance of any action or omission that causes damage to the Entity, or the concurrence of the conditions necessary for the Entity to be able to bring a corporate action for liability against him.

h. The Entity becomes aware of a breach of the suitability requirements by a member of the Identified Group who is also a member of the "Subject Group ", as defined in Unicaja Policy for Suitability Assessment in force, occurring during the accrual period.

i. The member of the Identified Group has engaged in serious misconduct or serious error which has harmed the Entity or the Division, Directorate or Unit in which the member of the Identified Group works or has worked.

j. The member of the Identified Group has engaged or participated in irregular conduct or fraudulent activities. For this purpose, particular account shall be taken of the negative impact of the irregular marketing of products and the responsibility of the persons or bodies that took the relevant decision.

k. Regulatory sanctions or court convictions are imposed on the Entity for acts that could be attributable to the member of the Identified Group or to the Division, Directorate or Unit in which the member of the Identified Group works or has worked.

The variable remuneration already paid, in cash or in instruments, shall be subject to recovery if any of the circumstances described above occur within three years of its payment, when they derive from wilful misconduct or gross negligence directly attributable to the member of the Identified Group.

As indicated above, for the 2020 financial year, an agreement was adopted to deactivate the incentive schemes for members of the Identified Group.

Other payments

Payments made for early termination of contracts of the "identified group" shall be reasonable and proportionate, and shall take into account the effective time of the service rendered and the agreed future service that will not be rendered, without in any case implying an impairment of the Entity's solvency. In general, the compensation provided for in the Workers' Statute (Estatuto de los Trabajadores) or in the special regulations applicable, as well as those agreed, where applicable, in the contracts signed, shall be applied. In 2020, one member of the group's "identified group" left the company and a total severance payment of 430 thousand euros was made. Two other members of the "identified group" have taken early retirement (one of them on 31/12/2020) and in neither case can the compensation received be considered early termination, either due to the way in which it was paid or its amount.

Remuneration of Directors in their capacity as such

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

General remuneration of the executive directors

Executive Directors shall, in addition, be entitled to receive remuneration comprising:

- A fixed part, adequate to the services and responsibilities assumed.
- A variable part, correlated to some indicator of the company's performance.
- A welfare component, which will include the appropriate welfare and insurance systems.
- Compensation 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.

In this respect, the Executive Chairman waived the Company's health insurance coverage for the financial year 2018 and thereafter, as well as the termination compensation scheme and the variable remuneration system.

The current CEO does not receive a severance payment, but is entitled to retain his former position in the Bank for a maximum period of one year.

16.7 Quantitative Information on Remuneration

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 31 December 2020, in thousands of euros, by the members of the "identified group" of Unicaja Banco Group:

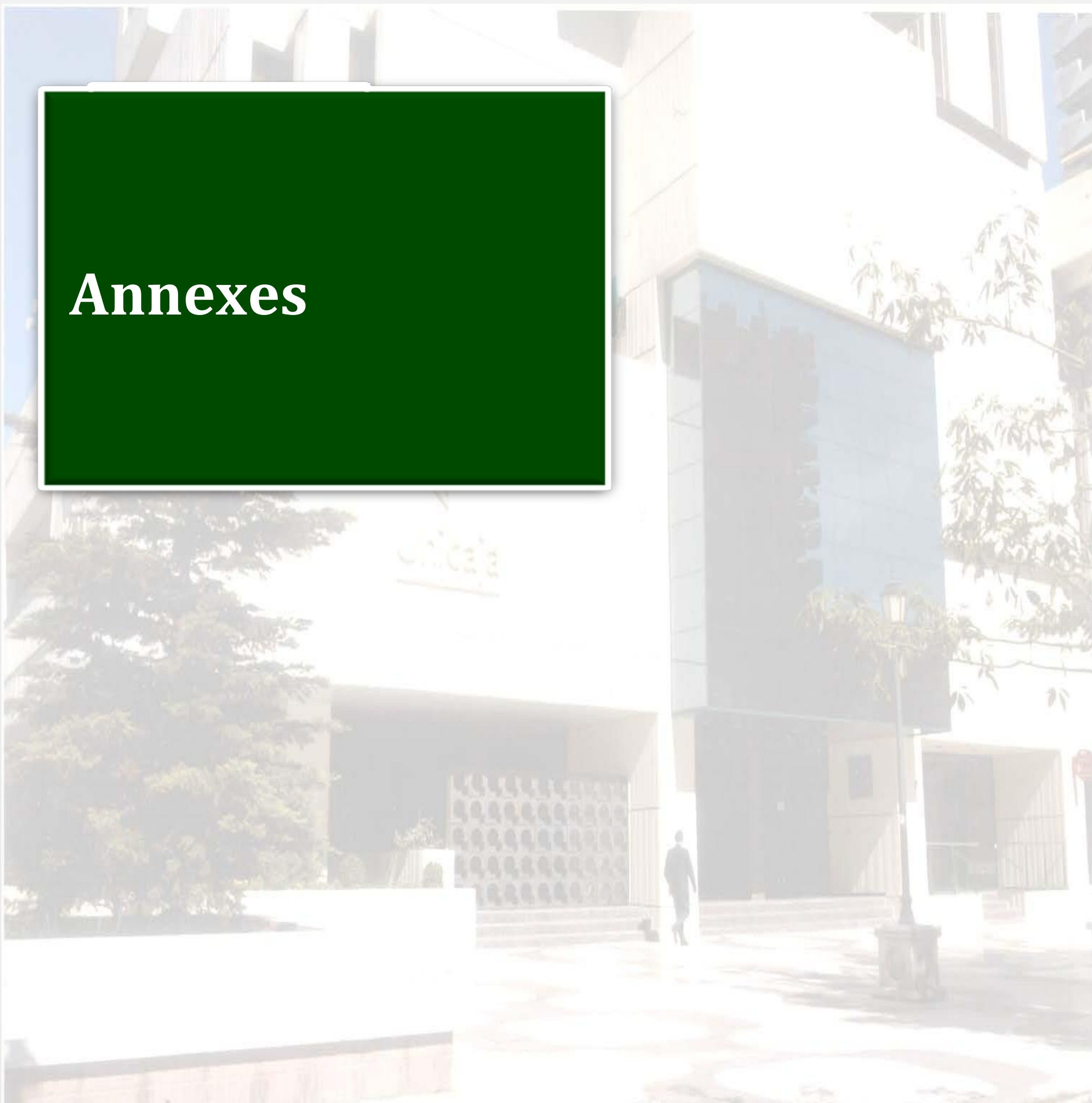
Table 40: Remunerations of the "identified group".

	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)	10	2						
2. Number of identified full-time equivalent employees			1	17	6	22	11	7
Of which: senior management			-	3	-	5	4	-
Of which: in control functions			-	-	-	-	7	-
3. Amount of total fixed remuneration	833	1,636	178	2,473	634	3,187	1,433	503
Of which: in cash	833	1,636	178	2,473	634	3,187	1,433	503
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in other types of instruments	-	-	-	-	-	-	-	-
4. Amount of total variable remuneration	-	-	-		-	430	-	0
Of which: in cash	-	-	-		-	430	-	0
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
Of which: in other types of instruments	-	-	-	-	-	-	-	-
5. Total variable remuneration accrued in the year to be deferred	-	-	-	-	-	-	-	-
Of which: in cash	-	-	-	-	-	-	-	-
Of which: in shares or related instruments	-	-	-	-	-	-	-	-
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, as referred to in Article 450(1)(h)(iii) of Regulation (EU) No 575/2013.	-	-	-	-	-	-	-	-
7. Amount of the 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 in the year	-	-	-	-	-	-	-	-
10. Number of beneficiaries of compensation for early termination of contract	-	-	-	-	-	1	-	-
11. Total amount of compensation for early termination of contract paid during the year	-	-	-	-	-	430	-	-
12. Maximum amount of compensation for early termination of contract paid to a person, as referred to in Article 450(1)(h)(v) Regulation (EU) No 575/2013.	-	-	-	-	-	430	-	-
13. Number of beneficiaries of contributions to discretionary pension benefits made in the financial year	-	-	-	-	-	-	-	-
14. Total amount of contributions to discretionary benefits during the year	-	-	-	-	-	-	-	-

Table 40: Remunerations 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
	Other 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 entity (either due to retirement or termination)	-	-	-	-	-	-	-	-
17. Total amount of discretionary pension benefits paid or withheld in the year to individuals who have left the entity (either through retirement or termination)	-	-	-	-	-	-	-	-

Finally, it should be noted that no person in Unicaja Banco Group has earned remuneration in excess of one million euros during 2020.



Annexes

17 ANNEX I: UNICAJA BANCO GROUP'S CAPITAL INSTRUMENTS MAIN FEATURES AS AT 31/12/2020

Table 41: 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)	ES018090907000	ES0280907009	ES028090907017
Governing law of the instrument	Spanish Legislation	Spanish Legislation	Spanish Legislation
Regulatory treatment			
Transitional CRR rules	CET1 Capital	Additional Tier 1 capital	Tier 2 capital
Eligible at solo/ /(sub)consolidated/ solo and (sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated
Instrument type (types to be specified by each jurisdiction)	Shares	Perpetual Contingently Convertible Bonds into newly issued shares (PeCoCos Bonds)	Tier2 Subordinated Bonds
Amount recognised in regulatory capital (currency in million, at of most recent reporting date)	1,580	47	300
Nominal amount of instrument	1,580	49	300
Issue price	n/a	100%	100%
Redemption price	n/a	100%	100%
Accounting classification	Equity	Equity	Financial Liabilities at Amortised Cost: Debt Securities Issued: (Other non-convertible marketable securities)
Original date of issuance	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	13/11/2024; and at any time, subject to the consent of the Supervisor, by reason of a Tax Event or Capital Event.
Subsequent call dates, 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% p.a.	From 13/11/2019 to 13/11/2024 (excluded): 2.875% p.a.; From 13/11/2024 (included) to 13/11/2029 with Fixing Date 13/11/2024: Mid-Swap 5 years applicable + 3.107 %.

Table 41: Main features of capital instruments

Issuer	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A.
Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Mandatory
Fully discretionary, partially discretionary 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	Noncumulative	Noncumulative	Noncumulative
Convertible or non-convertible	Non-convertible	Convertible	Non-convertible
If convertible, conversion trigger(s)	n/a	1. Total compulsory early conversion: (i) If Unicaja Banco adopts any measure tending to its voluntary or involuntary dissolution and liquidation or if it is declared bankruptcy. (ii) If Unicaja Banco adopts any measure that results in the approval of a reduction of share capital in accordance with the provisions of articles 320 and following of the Corporate Enterprises Law, or 343 by reference to article 418.3 of the Corporate Enterprises Act. 2. Contingency events: (i) If the Unicaja Banco Group has an common capital ratio (Core Tier 1) of less than 7%, calculated in accordance with the definition used in Recommendation EBA/REC/2011 and applied in the European Banking Authority (EBA) stress test, or any other percentage of equity lower than the minimum established, where applicable, by the applicable Spanish or European regulations, provided that the aforementioned Recommendation is in force. (ii) When the Entity subject to Bank of Spain Circular 7/2012, according to Rule 1, has a main capital of less than 7%. (iii) If Unicaja Banco or Unicaja Banco Group has a Common Equity Tier 1 ratio of less than 5.125% calculated in accordance with Circular 3/2008 as amended from time to time or any regulation that complements or replaces them from time to time and, in particular, CRD IV / CRR.	n/p

Table 41: Main features of capital instruments

Issuer	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A.
If convertible, conversion trigger(s)	n/a	(iv) If Unicaja Banco or Unicaja Banco Group have a Tier 1 capital ratio of less than 6%, calculated in accordance with Circular 3/2008 or any Spanish capital regulations applicable from time to time, and they incur significant accounting losses. "Significant accounting losses" shall be understood to exist when the accumulated losses over the last four quarters closed have reduced the capital and previous reserves of Unicaja Banco, or Unicaja Banco Group, by one third. 3. Viability 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 taken to inject public capital or any other financial support measure, without which the Entity would not be viable. 4. Regulatory events: (i) If with the entry into force and application of the Basel III capital adequacy rules (CRD IV / CRR) in 2014, Unicaja Banco Bonds will cease to be computable as Additional Tier 1 Ratio (Additional Tier 1 capital ratio). (ii) If Unicaja Banco Bonds cease to be eligible as principal capital under Circular 7/2012. (iii) If Unicaja Banco Bonds cease to be eligible as ordinary capital (Core Tier 1) calculated according to the definition used in the EBA/REC/2011 Recommendation and applied in the EBA stress test.	n/a
If convertible, fully or partially	n/a	Full or partial	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 ordinary shares (Tier 1 Ordinary Capital)	n/a
If convertible, specify issuer of instrument it converts into	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 the ordinary shares of Unicaja Banco at the time of conversion.	n/a
If write-down, full or partial	n/a	Full or partial	n/a
If write-down, permanent or temporary	n/a	Permanent	n/a

Table 41: Main features of capital instruments

Issuer	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A.
If temporary write-down, description of 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 qualifying as Tier 2 capital (Tier2)	After subordinated loans not qualifying as additional Tier 1 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 DISCLOSURES (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 retail bank, mainly aimed at individuals and SMEs, with retail deposits being its main source of funding, accounting for 80% of total deposits. Within retail deposits, 75% are stable deposits, which shows stable funding over time.

There are other sources of funding, which in order of importance are financing through the TLTRO programme, the issuance of mortgage bonds and financing in money markets, collateralised entirely by public debt.

- **Derivative exposures and possible calls on collateral:**

The Entity manages liquidity risk prudently, providing collateral for derivatives arranged on organised and over-the-counter markets and for collateralised financing transactions in money markets. The Entity frequently values liquidity outflows of this nature and does not consider them to be 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 group units:**

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

- **Other items for the calculation of the LCR that are not included in the LCR reporting template, but that the Entity considers relevant to its liquidity profile:**

In addition to normal and regulatory liquidity management, Unicaja Banco carries out 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 42: LCR quantitative information

UNICAJA BANCO (Consolidated Group)	Total Weighted Value (Average)
Liquidity buffer	15,223
Total net cash outflows	4,771
LIQUIDITY COVERAGE RATIO	**319%**

19 ANNEX III: TRANSITIONAL OWN FUNDS DISCLOSURE TEMPLATE

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	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	2,789,005	26 (1), 27, 28, 29, EBA list 26 (3)	
	of which: Instrument type 1		EBA 26 List (3)	
	of which: Instrument type 2		EBA 26 List (3)	
	of which: Instrument type 3		EBA 26 List (3)	
2.	Retained earnings (*)	1,299,630	26 (1) (c)	
3.	Accumulated other comprehensive income (and other reserves)	4,142	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 relate 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 or dividend		26 (2)	
6.	Common Equity Tier 1 (CET1) capital before regulatory adjustments	4,092,777		
	Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7.	Additional value adjustments (negative amount)	2,373	34, 105	
8.	Intangible assets (net of related tax liability) (negative amount)	6,520	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 liability where the conditions in Article 38(3) are met) (negative amount)	368,945	36 (1) (c), 38, 472 (5)	
11.	Fair value reserves related to gains or losses on cash flow hedges	-151,376	33 (a)	
12.	Negative amounts resulting from the calculation of expected loss amount		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	338	33 (b)	
15.	Defined-benefit pension fund assets (negative amount)	1,376	36 (1) (e), 41, 472 (7)	

(*) Includes IFRS 9 phase-in adjustment.

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	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
16.	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17.	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
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 where the institution has a significant investment in those 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 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: free deliveries (negative amount)		36(1) (k) (iii), 379(3)	
21.	Deferred tax assets arising from temporary differences (amount above the 10% threshold, net of related tax liabilities, where the conditions in 38(3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22.	Amount exceeding the 15% threshold (negative amount)	124,967	48 (1)	
23.	of which: 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	69,512	36 (1) (i), 48 (1) (b), 470, 472 (11)	
24.	Empty set in the EU			
25.	of which: deferred tax assets arising from temporary differences	55,455	36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
	25.a Losses 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 for amounts subject to the pre-CCR treatment			

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	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
	26.a Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468		467 468	
	26.b Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CCR		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)	353,143		
29.	**COMMON EQUITY TIER 1 (CET1) CAPITAL**	3,739,634		
Additional Tier 1 (AT1) capital: instruments				
30.	Capital instruments and the related share premium accounts	47,429	51, 52	
31.	of which: classified as equity under applicable accounting standards	47,429		
32.	of which: classified as liabilities under applicable accounting standards			
33.	Amount of qualifying items referred to in Article 484(4) and the related share premium accounts subject to phase-out from AT1		486 (3)	
34.	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties		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	47,429		
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.	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution(negative amount)		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 synthetic holdings by the institution of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)		56 (d), 59, 79, 475 (4)	

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	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
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)	
	41.b Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to Article 475 of Regulation (EU) No 575/2013		477, 477 (3), 477 (4) (a)	
	41.c Amount to be deducted from or added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CCR		467, 468, 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	47,429		
45.	TIER 1 CAPITAL (T1= CET1 + AT1)	3,787,063		
Tier 2 (T2) capital: instruments and provisions				
46.	Capital instruments and the related share premium accounts	300,000	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 phase out		485 (4)	
50.	Credit risk adjustments	-	62 (c) and (d)	
51.	Tier 2 (T2) capital before regulatory adjustments	300,000		
Tier 2 (T2) capital: regulatory adjustments				
52.	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (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 holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		66(b), 68, 477 (3)	

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	REGULATION (EU) NO. 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO TREATMENT PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) NO 575/2013
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) (negative amount)		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 short 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) 575/2013		472, 472(3)(a), 472 (4), 472 (6), 472(8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	
	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)	
	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	
57.	Total regulatory adjustments to Tier 2 (T2) capital	-		
58.	TIER 2 (T2) CAPITAL	300,000		
59.	TOTAL CAPITAL (TC = T1 + T2)	4,087,063		
	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	22,492,427		
	Capital ratios and buffers			
61.	Common Equity Tier 1 (as a percentage of risk exposure amount)	0.1663	92 (2) (a), 465	
62.	Tier 1 (as a percentage of risk exposure amount)	0.1684	92 (2) (b), 465	
63.	Total capital (as a percentage of risk exposure amount)	0.1817	92 (2) (c)	

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	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
64.	Institution specific buffer requirements (CET1 requirement in accordance with Article 92(1)(a)plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institutions buffer expressed, as a percentage of risk exposure amount)		DRC 128, 129 and 130	
65.	of which: capital conservation buffer requirement			
66.	of which: countercyclical buffer requirement			
67.	of which: systemic risk buffer			
	67.a. of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer		DRC 131	
68.	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)		DRC 128	
69.	(not relevant to EU regulation)			
70.	(not relevant to EU regulation)			
71.	(not relevant to EU regulation)			
	Amounts below the thresholds for deduction (before risk weighting)			
72.	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	151,468	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 below 10% threshold and net of eligible short positions)	358,535	36 (1) (i), 45, 48, 470, 472 (11)	
74.	Empty set in the EU			
75.	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38(3) are met)	307,025	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 standardised approach (prior to the application of the cap)	-		
77.	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-		

Table 43: Transitional own funds

	COMMON EQUITY TIER 1 CAPITAL: INSTRUMENTS AND RESERVES	31/12/2020	REGULATION (EU) NO. 575/2013 ARTICLE REFERENCE	AMOUNTS SUBJECT TO PRE-REGULATION (EU) NO 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNTOF REGULATION (EU) NO 575/2013
78.	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)			
79.	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach			
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 to 1 January 2022)				
80.	Current cap on CET1 instruments subject to phase out arrangements		484 (3), 486 (2) & (5)	
81.	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)		484 (2), 486 (2) & (5)	
82.	Current cap on AT1 instruments subject to phase out arrangements		484 (4), 486 (3) & (5)	
83.	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)		484 (4), 486 (3) & (5)	
84.	Current cap on T2 instruments subject to phase out arrangements		484 (5), 486 (4) & (5)	
85.	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)		484 (5), 486 (4) & (5)	

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

Table 44: Transitional application of IFRS 9 [9]

	Template on the comparison of institution's own funds and capital and leverage ratios with and without the application of transitional arrangements for IFRS 9 or analogous ECLs					
	Millions € and %	31/12/2020	30/09/2020	30/06/2020	31/03/2020	31/12/2019
1	Common Equity Tier 1 (CET1) capital	3,740	3,712	3,666	3,578	3,590
2	Common Equity Tier 1 (CET1) capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,580	3,552	3,546	3,496	3,492
3	Tier 1 capital	3,787	3,759	3,714	3,625	3,638
4	Tier 1 capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,628	3,600	3,594	3,544	3,539
5	Total capital	4,087	4,059	4,014	3,925	3,938
6	Total capital as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	3,928	3,900	3,894	3,844	3,839
7	Total risk-weighted assets	22,492	22,822	23,168	23,297	23,000
8	Total risk-weighted assets as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	22,347	22,656	23,089	23,200	22,904
9	Common Equity Tier 1 (as a percentage of risk exposure amount)	16.6%	16.3%	15.8%	15.4%	15.6%
10	Common Equity Tier 1 (as a percentage of the risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.0%	15.7%	15.4%	15.1%	15.2%
11	Tier 1 (as a percentage of risk exposure amount)	16.8%	16.5%	16.0%	15.6%	15.8%
12	Tier 1 (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	16.2%	15.9%	15.6%	15.3%	15.5%
13	Total capital (as a percentage of risk exposure amount)	18.2%	17.8%	17.3%	16.8%	17.1%
14	Total capital (as a percentage of risk exposure amount) as if IFRS 9 or analogous ECLs transitional arrangements had not been applied	17.6%	17.2%	16.9%	16.6%	16.8%
15	Leverage ratio total exposure measure	62,108	58,486	63,949	54,857	55,844
16	Leverage ratio	6.1%	6.4%	5.8%	6.6%	6.5%
17	Leverage ratio as if IFRS 9 or analogous ECLs transitional arrangements had not been applied [10]	5.8%	6.2%	5.6%	6.5%	6.3%

[9] June 2020 considers the effects of the phase in of IFRS9 introduced by Regulation (EU) 2020/873, which received supervisory approval during the third quarter. June 2020 and September 2020 include the deduction of software for prudential purposes anticipated by Regulation (EU) 2020/873, which have not been part of the regulatory calculation until the publication in December of Regulation (EU) 2020/2176.
The Entity has not applied the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income on sovereign exposures introduced by Regulation (EU) 2020/073.

[10] From September 2020 onwards, the leverage ratio is calculated considering the balances temporarily excluded by Regulation (EU) 2020/873.

21 ANNEX V: MAP OF CRR ARTICLES

Table 45: RRC Article Map

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 and scope of disclosure	1.4 Pillar III Disclosure
434	Means of disclosure	1.4 Pillar III Disclosure
435	Disclosure of risk management objectives and policies	3. Risk Management and Control Policies and Objectives and 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	5.1 Capital requirements for credit and counterparty risk 5.5 Credit valuation adjustment risk capital requirements 5.6 Procedures applied for the assessment of internal capital adequacy 9.1.3 Types of guarantors and counterparty risk in credit derivatives 9.2 Quantitative information
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. Encumbered assets
444	Use of ECAIs	7. Credit risk: Standardised 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 Operational risk capital requirements 11. Methodology applied in the calculation of capital requirements for operational risk

Table 45: RRC Article Map

Article CRR	Item	Location
447	Exposures in equities not included in the trading book	12. Information on equity and equity instruments not included in the trading book
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
451	Leverage	14. Leverage Ratio
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	Application of Internal Market Risk Models	N/A

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