Pillar III Disclosure
2021

Unicaja Banco Group

This document is a free translation of the Pillar III Disclosure originally issued in Spanish. In the event of a discrepancy, the Spanish version shall prevail

Pillar III Disclosure 2021

Acronyms

AT1 - Additional Tier 1

AIAF - Mercado de Renta Fija, S.A.

APP - Asset Purchase Program

RWAs - Risk Weighted Assets

ESG - Environmental, Social & Governance

BCBS - Basel Committee on Banking Supervision

ECB - European Central Bank

BdE – Bank of Spain

BRRD- Bank Recovery and Resolution Directive

CCF - Credit Conversion Factor

EC - European Commission

CEBS – Committee of European Banking Supervisors

CET1 - Common Equity Tier 1

CI - *Colectivo Identificado* (Identified Group)

CNMV - Comisión Nacional del Mercado de Valores (Spanish Securities and Exchange Commission)

ALCO - Assets and Liabilities Committee

CRD - Capital Requirements Directive

CRR - Capital Requirements Regulation

CVA - Credit Valuation Adjustment

EAD - Exposure at Default

EBA - European Banking Authority

ECAI - External Credit Assessment Institutions

CCP - Central Counterparty

QCCP - Qualifying Central Counterparty G-Sib - Global Systemically Important Banks

ERTE - *Expediente de Regulación Temporal de Empleo* (Temporary Redundancy Proceedings)

ESG - Environmental, Social & Governance

FSB - Financial Stability Board

GL - Guidelines

HQLA - High-Quality Liquid Assets

ICAAP - Internal Capital Adequacy Assessment Process

ICO - Instituto de Crédito de Oficial

IFRS9 - International Financial Reporting Standard

ILAAP - Internal Liquidity Adequacy Assessment Process

INE – Instituto Nacional de Estadística (National Statistics Institute)

IRP – Pillar 3 Disclosure

IRB - Internal Ratings-Based

IRRBB - Interest Rate Risk in the Banking Book

KRIs - Key Risk Indicators

LCR - Liquidity Coverage Ratio

LFS- Labour Force Survey

LGD - Loss Given Default

LR - Leverage Ratio

LTD - Loan to Deposit

LTV - Loan to Value

MDA - Maximum Distributable Amount

MREL - Minimum Requirements on Eligible Liabilities

IFRS9 - International Financial Reporting Standards

NPA - Non-Performing Assets

NSFR - Net Stable Funding Ratio

PD - Probability of Default

PeCoCos - Perpetual Contingent Convertibles

GDP - Gross Domestic Product

RAF - Risk Appetite Framework

CRR - Capital Requirements Regulation

RD - Royal Decree

RD-L - Royal Decree-Law

ROTE - Return on Tangible Equity

RWA - Risk Weighted Assets

SEC-IRBA - Internal ratings-based approach to calculate credit risk requirements for securitisations

SEC-ERBA - External ratings-based approach to calculate credit risk requirements for securitisations

SGIIC - *Sociedad Gestora de Instituciones de Inversión Colectiva* (Collective Investment Scheme Management Company)

SREP - Supervisory Review and Evaluation Process

SRMR - Single Resolution Mechanism Regulation

SRT - Standardised Reporting Templates

SSPE - Securitisation Special Purpose Vehicle

STS - Simple, Transparent and Standardised

CT - Central Tendency

T1 - Tier 1

T2 - Tier 2

EU - European Union

1. Introduction

1.1. Executive summary

1.1.1. Introduction

The objective of Pillar III Disclosure report is to comply with the transparency and market information requirements of Unicaja Banco Group, established in Part Eight of the European Union Regulation No. 575/2013 of the European Parliament and of the Council (hereinafter Regulation No. 575/2013 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.

In December 2019, the Basel Committee on Banking Supervision (BCBS) published the consolidated Basel Framework including the updated Pillar III disclosure requirements, which were incorporated into Regulation (EU) 575/2013 by Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019. In addition, Directive 2013/36/EU was amended through Directive (EU) 2019/878 of the European Parliament and of the Council.

Pursuant to the above, the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosure by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council was published in the Official Journal of the European Union on 15 March 2021, and will apply from 28 June 2021, which constitutes a consistent and comprehensive Pillar III disclosure framework.

In order to comply with current regulations, Unicaja Banco Group has developed this report, which includes the information required in Part Eight of the Regulation, as well as the uniform formats established in the Implementing Regulation (EU) 2021/637 in relation to the information established in Titles II and III of Part Eight of the Regulation.

Unicaja Banco Group operates 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, through issues on the wholesale market. Credit risk and liquidity risk are, as in any credit institution focused on commercial banking, the main risks to be managed by the Group.

Headquartered in Malaga, Unicaja Banco (hereinafter Unicaja Banco, the Entity, the Bank or the Company) has a clear position as a financial institution of reference in six Autonomous Communities, its regions of origin (Andalusia, Asturias, Cantabria, Castilla-La Mancha, Castilla y León and Extremadura). As at 31 December 2021, the Group had a network of 1,369 branches: 1,368 branches in Spain and 1 correspondent branch in the United Kingdom.

1.1.2. Merger by absorption of Liberbank by Unicaja Banco

On 29 December 2020, the Boards of Directors of Unicaja Banco, S.A. and Liberbank, S.A. (hereinafter Liberbank) agreed to approve and subscribe the Common Draft Terms of Merger for the absorption of Liberbank (absorbed company) by Unicaja Banco (absorbing company).

The merger between Unicaja Banco and Liberbank was approved by the extraordinary general shareholders' meetings of both entities held on 31 March 2021. The conditions precedent necessary for the execution of the merger by absorption were fulfilled on 26 July 2021, moment at which control over the assets and liabilities of Liberbank Group is deemed to have been taken. The deed of merger by absorption was registered at Malaga Trade Register, thus giving legal effect to the transaction, on 30 July 2021.

The accounting effective date of the transaction was set at 31 July 2021. For further information on the corporate transaction, see note 1.14 "Merger by absorption of Liberbank by Unicaja Banco" in the notes to the consolidated annual accounts for 2021.

In view of the above, the data in this report take into consideration Liberbank Group's information as of the accounting effective date, and the information prior to that date has not been restated, unless expressly mentioned.

1.1.3. Unicaja Banco Group highlights in 2021

The highlights of Unicaja Banco Group in 2021 are described below:

Balance sheet

At the end of the year, the size of its balance sheet reached 115,550 million euros, with a 5.9% growth in the fourth quarter.

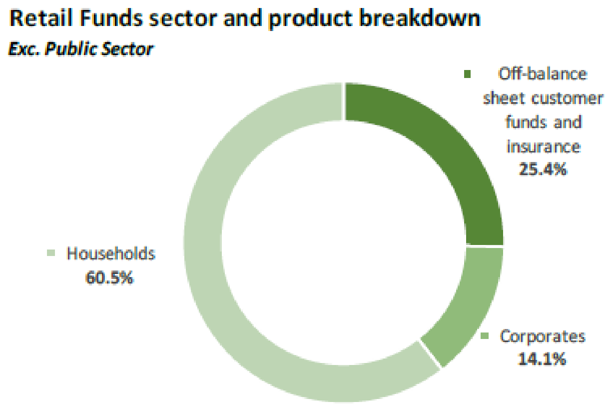
Customer funds increased by 4.8%.

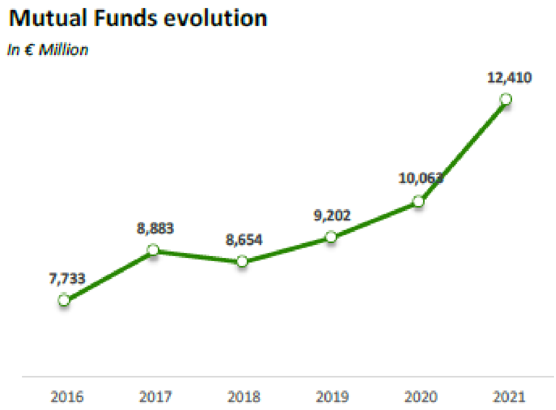
In recurrent and like-for-like terms, the balance sheet after the merger maintained the positive trends of the last quarters on the liabilities side, increasing customer funds, and on the assets side, particularly in the mortgage portfolio. Of note was the performance in off-balance sheet products, mainly mutual funds.

The total volume of customer funds at the end of 2021 was 108,230 million euros, 4.8% higher than in the previous year on a like-for-like basis. Retail customers accounted for 89% of funds, reaching 96,007 million euros, up 9.2% year-on-year, of which 22,038 million euros were off-balance sheet funds (+11.6% year-on-year). In the current interest rate environment, demand deposits continued the trend of recent quarters, rising 7.5% year-on-year to 58,424 million euros, while term deposits continued to decline to 6,104 million euros.

Mutual funds grew by 23.3% to more than 12,400 million euros

The increase in off-balance sheet funds was concentrated in the mutual funds segment, which recorded year-on-year growth of 23.3%, exceeding 12,400 million euros, with net subscriptions of 2,136 million euros in 2021. Pension funds also performed positively, reaching 4,033 million euros, 4.5% higher than a year earlier.





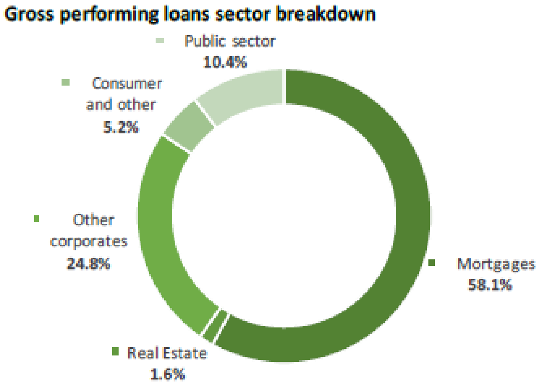
Outstanding loans grew by 2.4%, boosted by mortgage lending

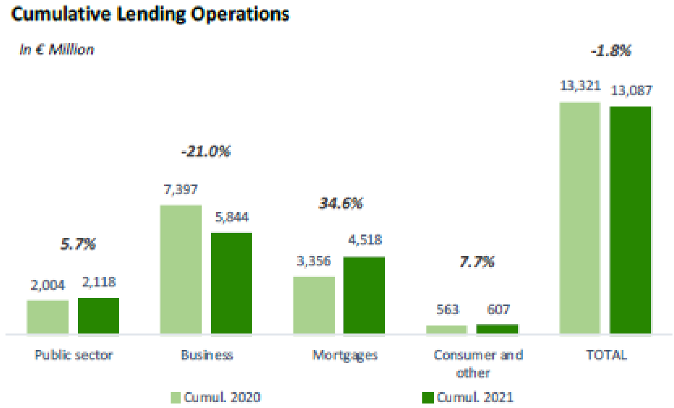
Lending activity maintained its trend of significant growth in terms of outstanding loans and advances, driven mainly by the sustained increase in mortgage lending and lending to public administrations.

Performing loans reached 53,522 million euros at the end of 2021, an increase of 2.4% year-on-year. The pace of new financing transactions remained strong, with a total of 13,087 million euros, of which 4,518 million euros corresponded to mortgage financing, a year-on-year increase of 34.6%. New mortgage loans represented a national market share of 9%, doubling Unicaja Banco's natural market share in the Spanish banking sector.

This positive evolution meant that performing mortgage lending increased its outstanding balance by 3.1% to 31,090 million euros. This sustained growth is being achieved through a strategy of maximum prudence in risk management, with a loan-to-value (LTV) ratio that does not exceed 80% in 91% of cases. Overall, the mortgage portfolio is made up of operations that finance the acquisition of first homes (92% of the total) and with a low NPL ratio (3%), and the new loans are recorded in areas of high economic and commercial dynamism, particularly the Madrid region and the province of Barcelona, which absorb close to 50% of the new transactions.

Consumer loans remained stable, with an outstanding balance of 2,776 million euros, 1.7% higher year-on-year, after an increase of 7.7% in new loans.





Highly diversified credit portfolio

The corporate segment also recorded a positive trend in 2021 and an increase in the outstanding balance, despite the expected reduction in new transactions (of 21%), once the impact of ICO financing due to the COVID-19 pandemic has been exhausted. The outstanding amount of lending to companies stood at 14,093 million euros, 3.1% higher than a year ago.

Unicaja Banco's performing loan portfolio is highly diversified: 58.1% corresponds to mortgage lending, 24.8% to companies, 10.4% to public administrations and 6.8% to consumer finance and real estate development.

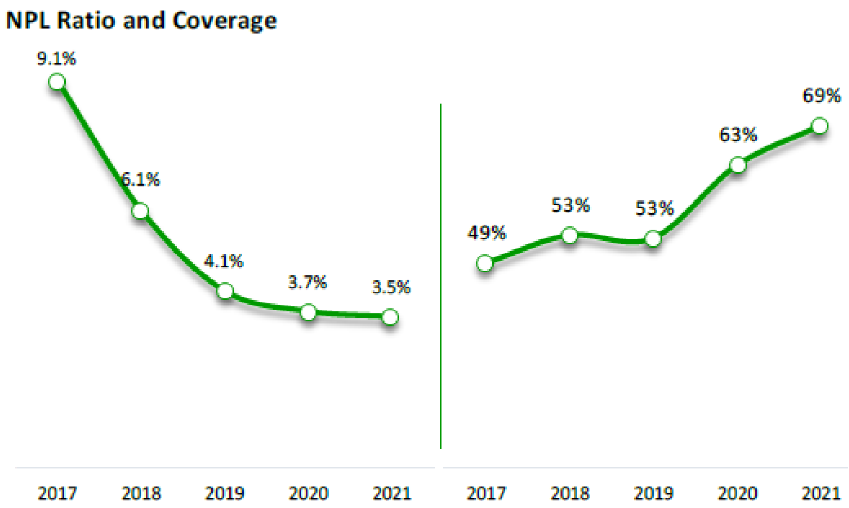
The corporate lending portfolio is highly diversified by sector of activity, with limited exposure to those with the highest expected COVID-19 impact.

Improving the quality of the balance sheet and increasing coverages

Unicaja Banco maintained its strategy of maximum solvency and continuous improvement in the quality of its balance sheet. At the end of the fourth quarter, the NPL ratio stood at 3.5%, one of the best in the Spanish banking sector, having been reduced by 0.13 p.p. year-on-year. The total volume of non-performing assets declined 1.3% in the last twelve months.

At the same time, the reduction in the portfolio of foreclosed assets continued, reaching 6% year-on-year, thanks to the outflow of non-current assets for sale, for a gross amount of 435 million euros, mostly finished housing (48%), as well as land (32%) and tertiary assets and work in progress (20%). The NPA ratio improved by 0.4 p.p. in the last 12 months to 7.2%.

At the same time, Unicaja Banco raised coverage ratios for both NPLs and foreclosed assets to 68.5% (5.7 p.p. more than at the end of the previous year) and 62.7% for foreclosed assets (6.7 p.p. more year-on-year), among the highest in listed banks in Spain. Coverage of total NPAs (NPLs and foreclosed assets) increased to 65.5%, among the best in class.



Profit and loss account

Commercial momentum

Net interest income amounted to 1,028 million euros, down 7.3% in recurrent terms, due to the lower contribution from wholesale business and the fall in interest rates, whose negative impact on the loan portfolio has already ended its trajectory. As a result, retail net interest income hardly declined in the last quarter of the year (3 million euros), so that the customer spread stood at 1.4%.

Net fee income rose 20% year-on-year to 489 million euros (21.3% in recurrent terms), mainly due to the boost in savings, insurance and mutual funds activities. This increase largely offsets the decline in net interest income, so that core margin (net interest income plus fees) amounted to 1,517 million euros, 15 million euros lower than in the previous year. After the negative results recorded under Other operating income/expenses (net), which amounted to 129 million euros - including the annual contributions to the Deposit Guarantee Fund (89 million euros) and to the Single Resolution Fund (31 million euros) - and which, in comparative terms, reflect the impact of Unicaja Banco's recognition in 2020 of profits from a shareholders' agreement relating to the investee company Caser, gross income amounted to 1,517 million euros, 7% lower than in the previous year.

In line with the cost optimisation strategy, administrative expenses remained contained at 841 million euros, 2.7% less than the previous year and without having incorporated the bulk of the integration synergies. As a result, operating income (before provisions) amounted to 580 million euros and operating profit was 210 million euros, 9% higher than in 2020. Loan-loss provisions were 35% lower year-on-year, standing at271 million euros. The cost of risk was 41 basis points.

After total net value adjustments, the transaction generated a badwill of 1,301 million euros.

Pre-tax profit increased by 59% to 180 million euros and net profit (on a proforma basis excluding the impact of badwill and merger-related expenses and provisions) reached 137 million euros, 47% higher than the previous year.

Solvency and liquidity

CET 1 capital ratio of 13.6%.

Following the integration, Unicaja Banco maintains high solvency levels. At the end of 2021 it had a maximum quality capital level (CET 1 Common Equity Tier 1) of 13.6%, a Tier 1 capital ratio of 15.2% and a Total Capital ratio of 16.8%[1] . These ratios represent a margin of 5.6 p.p. in CET 1 and 4.2 p.p. in Total Capital over the levels required to the entity.

At the same date, in fully loaded terms, the bank had a CET 1 ratio of 12.5%, a Tier 1 capital ratio of 14.1% and Total Capital of 15.8%, after the integration adjustments, and a sound liquidity position, reflected in the Loan to Deposit ratio of 75.0%, the short-term liquidity ratio (LCR) of 307% and the net stable funding ratio (NSFR) of 142%.

In the last quarter of the year, Unicaja Banco issued 500 million euros of AT1 and carried out two issues of senior preferred debt totalling 660 million euros, in both cases with oversubscribed multiples.

It should also be mentioned that on 28 June 2021, Unicaja Banco received authorisation from the European Central Bank to use internal models to calculate its solvency ratios. Specifically, the Governing Council of the European Central Bank granted Unicaja Banco authorisation to apply the A-IRB models to the calculation of capital requirements for credit risk in its retail portfolio (not SMEs), except for the part of the portfolio acquired in the merger with Liberbank.

2022-2024 Strategic Plan and progress on integration

On the 10 of December, Unicaja Banco presented in Malaga its 2022-24 Strategic Plan, focused on boosting business growth as a profitable, sustainable institution with improved digital capabilities and other channels, with a low risk profile. The Plan is articulated around five essential priorities and enabling pillars: greater specialisation to accelerate commercial activity, improving efficiency through operational excellence, advanced risk management with a conservative profile, improving and increasing the capabilities of digital banking, and a commitment to sustainability in all lines of business. The Plan has, among other financial objectives, to achieve a ROTE (return on tangible equity) of more than 8% at the end of the period and a capital generation of 1,500 million euros.

The implementation of Unicaja Banco's new Strategic Plan is progressing at a good pace, as is integration, following the completion of the legal merger on 30 July, the labour agreement reached on 3 December, the development of the organisational chart at all levels and the conclusion of the planning of technological integration. The Plan is based on the bank's vision on four levels: shareholders (continuing to maximise the generation of organic capital), customers (prioritising the quality of service), employees (strengthening skills and talent) and society (maintaining the social commitment in the territories of influence, respecting the environment and promoting sustainable finance).

In this process, after becoming the fifth largest bank in the Spanish market, the bank is continuing its efforts to contain and reduce costs derived from the transformation of the business model, the automation and simplification of processes, as well as continuing to work on quality service and the creation of value proposals that meet the needs of customers.

Commercial drive and digital transformation

In the process of operational integration in which Unicaja Banco finds itself, both the digital transformation strategy and the joint commercial and business capabilities have been strengthened.

In the commercial and business areas, the bank's activity in the payroll portfolio was particularly noteworthy, especially in the last quarter of the year, with an increase in the uptake. Unicaja Banco also continued to develop its digital transformation strategy in 2021, both in terms of operational improvements and functionalities, as well as strengthening the open banking model and collaboration agreements with leading entities in various fields, areas that will be extended in the coming months to the entire customer base of the bank.

[1] The solvency figures in this section, and hereinafter in this document, incorporate the retained earnings for 2021, the calculation of which for solvency purposes is pending approval by the European Central Bank.

The bank is working hard to advance in the process of incorporating the best digital functionalities and the provision of online services and remote management for all its customers, as well as the possibility of taking out mortgages digitally, extending products and services, given its commitment to having a competitive offer.

Progress on sustainable finance

Unicaja Banco has continued to carry out sustainable and responsible banking actions throughout the fourth quarter of 2021, including the following, among others:

i. The Board of Directors revised the Sustainable Finance Action Plan to better reflect the Bank's new sustainability governance structure, following the recent creation of the ESG Business Division and the Sustainability and CSR Division, and to incorporate certain plans to respond to new regulatory requirements and supervisory expectations.

ii. The inclusion in the 2022-2024 Strategic Plan of a specific axis for the management in all its manifestations of sustainable finance, linked, in particular, to the development of sustainability in all lines of business. The entity will work on a renewed offer of products and services, on reducing the carbon footprint (its own and that of the financed and investment portfolios), while promoting the culture of sustainability, and the identification and management of environmental and climate risks.

iii. In this sense, the aim is to achieve that 75% of investment funds comply with ESG standards, developing a range of products in this line that include green mortgages, eco sustainable agricultural financing, energy rehabilitation loans, the mobility master plan and eco green motor loans, sustainable investment and pension funds and electric car insurance.

iv. The Edufinet financial education project continued to develop its activities. Of particular note were the activities carried out on the occasion of Financial Education Day, organised by the Bank of Spain and the CNMV, held on 4 October, under the slogan "your finances, also sustainable". Also in November, the 4th Financial Education Congress was held under the title "Financial education for a time of paradigm shift ", with more than 200 participants. The Congress, held in person and online, was attended by more than 35 experts from different disciplines as speakers and participants.

1.2. Economic and financial environment during 2021

According to the latest OECD Economic Outlook, economic activity continues to recover globally, reaching pre-pandemic levels, although it is uneven across major geographical areas. During the latter part of 2021, there has been a loss of momentum in production and trade activity, largely due to the emergence of the Omicron variant, imbalances arising from tensions in global production chains and the rising cost of raw materials and other intermediate goods. The OECD estimates that, in 2021 as a whole, world economic growth will have reached 5.6%, while output is expected to increase by 4.5% by 2022.

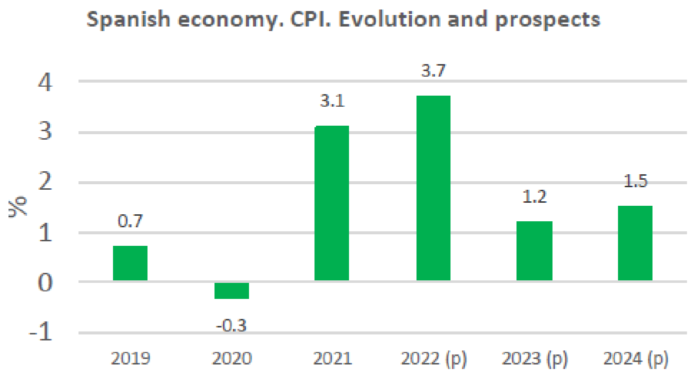
In this context, the US, Canadian and Australian central banks have made changes to their monetary policy stance by gradually reducing their asset purchase programmes and announcing increases in their official rates.

As for the European economy, according to the European Commission's Autumn Forecast report, activity has recovered to higher levels than expected, intensifying as vaccination campaigns have progressed and certain restrictions have been relaxed. In the third quarter of 2021, the European economy would have recovered to its pre-pandemic level of output, with the second quarter showing the highest year-on-year growth rate since 1999, at 14.4%. In 2021 as a whole, the EU economy is estimated to have grown by 5.2%, with growth of 4.3% projected for 2022, underpinned by strong domestic demand and a recovery in public and private investment, boosted by funds from the Recovery and Resilience Mechanism.

At its last meeting in December 2021, the European Central Bank decided to leave the interest rates on the main financing operations, the marginal lending facility and the deposit facility unchanged at 0.00%, 0.25% and -0.50% respectively. It also approved a reduction in the pace of net purchases in its pandemic emergency purchase programme (PEPP) compared with the previous quarter and confirmed the suspension of the programme at the end of March 2022, with the possibility of resuming it if necessary. At the same time, it decided to increase monthly purchases under the APP programme.

In Spain, the latest data from the Quarterly National Accounts, relating to the fourth quarter of 2021, point to a GDP growth of 2.0% quarter-on-quarter, with the year-on-year variation rate standing at 5.2%, compared with 3.4% in the previous quarter. For 2021 as a whole, growth stands at 5.0%.

In this context, the Consumer Price Index has shown a notable increase in 2021 of 3.1% in annual average terms, with the main explanatory factors being the increase in energy prices, together with food and accommodation services. The advanced indicator for January 2022 points to an annual change of 6.0%, 0.5 p.p. lower than that recorded in the previous month. For the year as a whole, prices are expected to experience an average change of 3.7%, with more moderate growth from 2023 onwards.



Source: INE and Bank of Spain.

The improvement in activity has been reflected in the evolution of labour market indicators. According to the Labour Force Survey (EPA), more than 840,000 net jobs were created in 2021, bringing the employed population to around 20.2 million euros (the highest figure since the end of 2008). However, it should be remembered that this figure includes workers affected by a Temporary Redundancy Programme (ERTE), which, at 31 December, amounted to 102,548. The unemployment rate stood at 13.3% in the fourth quarter, 0.5 p.p. lower than in the same period of 2019.

According to the latest data from the Financial Accounts of the Spanish Economy, the gross debt of companies and households reached 1,936.2 billion euros in the third quarter of 2021, an increase of 2.2% year-on-year, mainly due to the growth in the debt of non-financial corporations (3.3%). The debt-to-GDP ratio stood at 164.7%, down 0.5 p.p. compared with the third quarter of 2020.

In the specific case of households, net financial wealth (total financial assets minus liabilities) reached 1,697.0 billion euros at the end of the third quarter of 2021, an increase of 8.0% compared with the same period of the previous year. The financial assets of households and NPISHs stood at around 2,500.0 billion euros, up 5.8% year-on-year. By instrument, 41.2% of financial assets were held in cash and deposits, followed by equity shares (24.5%), mutual fund shares (15.7%) and insurance and pension funds (15.6%). The component with the strongest year-on-year growth was mutual fund shares.

The outstanding amount of financing received by non-financial corporations grew by 2.3% year-on-year in November and that of households by 0.9%. Considering the purpose of credit financing, the balance in October of secured term loans fell by -0.8%, compared with an increase in demand loans (3.9%), commercial credit (9.7%) and financial leases (1.7%).

Between January and November 2021, financial institutions granted new credit transactions amounting to 355,164 million euros, a year-on-year decrease of 12.2%. Of this balance, non-financial corporations subscribed 260,310 million euros (-19.9%). Households obtained loans totalling 94,854 million euros (+18.7% year-on-year), of which 53,603 million were for housing (+39.1%), 26,049 million euros for consumption (+8.0%) and 15,202 million euros for other purposes (-12.0%).

The moderation of the activity in the fourth quarter of the year with respect to previous months has led the main international organisations and national research services to recently revise their growth prospects downwards. The latest macroeconomic projections by the Bank of Spain suggest that the recovery will accelerate in 2022, with GDP rising by 5.4%. However, at least in the short term, these forecasts are subject to a high degree of uncertainty, as they depend on the evolution of the pandemic and its effects on the productive fabric and employment, the impact on activity of temporary disruptions in global supply chains and the increase in inflation, as well as on the channelling and use of European funds and the economic policies adopted.

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 the Directive 2013/36/EU of the European Parliament and of the Council (known as CRD IV) on 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 on prudential requirements for credit institutions and investment firms and 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 a 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 Circular 2/2016 of the Bank of Spain on supervision and solvency, which completes the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No. 575/2013.

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 regulations 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 that it establishes are:

- Capital conservation buffer: to be phased in from 2016.
- Countercyclical capital buffer: it is institution-specific; to be phased in from 2016.
- Global systemically important institution (G-SII) and other systemically important institution (O-SII) buffers.
- Systemic risk buffer: to be set to cover systemic or non-cyclical macro prudential risks.

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

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 the Bank of Spain published the 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. Circular 2/2016 also 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 supplementary supervision of financial entities in a financial conglomerate, and introduces the definition of the competent authority, which will be the European Central Bank or the Bank of Spain, in accordance with the allocation and distribution of powers 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 (EU) 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 conservation measures.

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

Likewise, in the financial year 2021, as regards Directive (EU) 2019/878, the process of transposition into Spanish law has been carried out through the following regulations:

- Royal Decree-Law 7/2021 of 27 April on the transposition of European Union directives in the areas of competition, prevention of money laundering, credit institutions, telecommunications, tax measures, prevention, and repair of environmental damage, posting of workers in the provision of transnational services and consumer protection.

- Royal Decree-Law 970/2021 of 8 November amending Royal Decree 1644/1997 of 31 October, on the rules for the authorisation, administration, and solvency requirements for counterguarantee companies, Royal Decree 2660/1998 of 14 November on the exchange of foreign currency in establishments open to the public other than credit institutions, and Royal Decree 84/2015 of 13 February, implementing Law 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions.

- Circular 5/2021 of the Bank of Spain of 22 December, amending Circular 2/2016 of 2 February to credit institutions, on supervision and solvency, which provides for the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013.

Finally, Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, amending Regulation 575/2013, was implemented in June 2021 (with certain exceptions). This Regulation, together with Directive 2019/878 of the European Parliament and of the Council of 20 May 2019, amending Directive 2013/36/EU, constitute the regulatory framework applicable to the solvency and supervision of European credit institutions.

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 the Guidelines on uniform disclosures under Article 473a of Regulation (EU) No 575/2013 as regards transitional arrangements for mitigating of the impact of the introduction of IFRS 9 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.

Finally, as of 28 June 2021, Commission Implementing Regulation (EU) 2021/637 of 15 March 2021 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council and repealing inter alia, Commission Implementing Regulation (EU) No 1423/2013 as regards disclosure of institutions' own funds, as well as Commission Implementing Regulation 2015/1555 as regards regulatory technical standards for the disclosure of information relating to institutions' compliance with the requirement to hold a countercyclical capital buffer in accordance with Article 440.

1.3.2. Leverage ratio

Regulation (EU) No 575/2013, in its Part Seven, Article 429, defines the leverage ratio (LR) 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 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 the 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 and of the European Parliament and of the Council as regards the leverage ratio.

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

Likewise, in January 2018, the EBA published the 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 IFRS 9 on own funds. These guidelines were 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 the guidelines on supervisory reporting and disclosure requirements in compliance with the Quick Fix to Regulation (EU) No 575/2013 in response to the Covid-19 pandemic.

The final calibration of the leverage ratio 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. In order to give effect to this amendment, Implementing Regulation (EU) 2021/637 was published in March 2021 and implemented in June 2021, repealing inter alia Regulation (EU) 2016/200 laying down implementing technical standards as regards the publication of the leverage ratio of institutions in accordance with Regulation (EU) No 575/2013.

It should also be noted that under Article 429a (7) of the Regulation, the prudential leverage ratio requirement is adjusted for the excluded balances at central banks in the calculation of the denominator of the ratio up to the date on which the exclusion of these amounts is considered.

1.3.3. Liquidity ratios

Part Six of Regulation (EU) No 575/2013, Title I, introduces the Liquidity Coverage Ratio (LCR). Its objective is for institutions to 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), which resulted in a requirement of 100% or more of the ratio as of 1 January 2019.

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 Regulation 2015/61 to increase harmonisation with international standards and to facilitate more efficient liquidity management for credit institutions. This Regulation applied from 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 standards aimed at improving the transparency of regulatory funding requirements, reinforcing the principles for the sound management and supervision of liquidity risk, strengthening market discipline and reducing market uncertainty. 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 the Guidelines on LCR disclosure to complement the disclosure of liquidity risk management under Article 435 of Regulation (EU) No 575/2013.

On the 20 of May 2019, the Regulation (EU) 2019/876 was published, amending Regulation 575/2013 as regards the net stable funding ratio, among other amendments, the main ones being those listed below: (i) a minimum regulatory level equal to or higher than 100% is established, also if the Entity's ratio falls below 100% the Entity must submit a plan with measures to restore it, (ii) new implementing technical standards for disclosure and calculation through the publication of Implementing Regulation 2021/451, (iii) enhanced disclosure requirements through the publication on 15 March 2021 of the Commission Implementing Regulation (EU) 2021/637, which introduces a disclosure template for key indicators including the NSFR and LCR ratios, replacing the previous EBA Guideline (EBA/GL/2017/01).

1.3.4. Unencumbered assets

Pursuant to the first paragraph of Article 443 of Part Eight of Regulation (EU) No 575/2013, the European Banking Authority published guidelines on disclosure of information on encumbered and unencumbered assets on 27 June 2014. Likewise, as regards requirements for the reporting and calculation of the asset encumbrance ratio, the Commission Implementing Regulation 2015/79 laying down implementing technical standards in relation to encumbered assets was published on 18 December 2014.

On the other hand, 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 regarding regulatory technical standards for disclosure of encumbered and unencumbered assets.

Finally, the Commission Implementing Regulation (EU) 2021/637, laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of the Regulation repealing, inter alia, Implementing Regulation 2017/2295, was published on 15 March 2021.

1.3.5. Bank restructuring and resolution

In 2014, regarding the construction of the European Banking Union, it was approved the Directive 2014/59/EU of the European Parliament and the Council, of 15 May 2014 (hereinafter BRRD) which establish a framework for the restructuring 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 restructuring 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 (Minimum Requirement for own funds and Eligible Liabilities, MREL) so as to ensure their loss-absorbing capacity. 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. 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 on the recovery and resolution of credit institutions and investment services firms and Royal Decree 1012/2015 of 6 November.

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 Euro Area over a transitional phase of 8 years into a European-wide fund (Single European Resolution Fund). This Single Resolution Fund was established by Regulation (EU) 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 Delegated Regulation 2016/1075 on restructuring and resolution plans under 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 restructuring and resolution planning stage of an institution, through the early action phase, to the point at which the resolution action is taken.

The latest amendments to the scope of the resolution include the following:

- Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the 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.

In the financial year 2021, the Directive 2019/879 was transposed into the Spanish law by means of the following regulations:

- Royal Decree-Law 7/2021, of 27 April, which amended Law 11/2015 of 18 June, on the recovery and resolution of credit institutions and investment services companies. In addition, the transposition of Directive (EU) 2019/879 and is completed by

- Royal Decree 1041/2021 of 23 November amending Royal Decree 1012/2015 of 6 November implementing Law 11/2015 of 18 June on the recovery and resolution of credit institutions and investment services firms.

1.4. Disclosure of information by Pillar III

Accordingly, this report is intended to comply with Part Eight of Regulation (EU) No 575/2013, as amended by Regulation (EU) No 2019/876, which requires entities to disclose relevant information according to their size and business model.

In addition to the aforementioned regulatory text, in the area of disclosure, the European Banking Authority and the Basel Committee on Banking Supervision, in order to reflect the amendments to Pillar III disclosure arising from the entry into force of Regulation (EU) No 2019/876, have published various standards and guidelines that are applicable as of 31 December 2021, including the following:

- In June 2021, the implementing technical standard to specify the uniform formats for the disclosure of information required under Titles II and III of Part Eight of the Regulation (EBA/ITS/2020/04) published in June 2020 became applicable. This technical standard was developed by the EBA following the mandate of the Commission in Article 434a of Regulation (EU) No 2019/876 with the aim of establishing a common Pillar III framework through a single comprehensive package to improve the clarity of information for users and additionally to unify as far as possible the public information with the information reported to the supervisor through a "mapping tool".

  Finally, technical standard EBA/ITS/2020/04 was published in the Official Journal of the European Union on 15 March 2021 through the Commission Implementing Regulation 2021/637 laying down implementing technical standards with regard to public disclosures by institutions of the information referred to in Titles II and III of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council, and repealing Commission Implementing Regulation (U) No 1423/2013, Commission Delegated Regulation (EU) 2015/1555, Commission Implementing Regulation (EU) 2016/200 and Commission Delegated Regulation (EU) 2017/2295.

- Notably, the publication in November 2021 by the EBA to establish both qualitative and quantitative technical disclosure standards for non-trading book interest rate exposures (EBA/ITS/2021/07) in relation to Article 448 of the Regulation.

In addition, among the different guides that apply, the following are highlighted:

- "*Guidelines on Materiality, Proprietary and Confidentiality and on Disclosure Frequency*" (EBA GL/2014/14).

- "*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).

Based on the foregoing, Annex VI of this document shows the correspondence of the articles of Part Eight of the CRR with the uniform templates and tables applicable to Unicaja Banco Group in Implementing Regulation 2021/673 and the implementing technical standards published by the EBA, where it is also indicated at which point of this report or public document of the Group it is complied with.

On the other hand, the quantitative tables included in the Implementing Regulation 2021/673 that have been included in this document have been drawn up on the basis of the aforementioned mapping tool developed by the EBA, which is published on its official website.

In accordance with Unicaja Banco Group's Policy for the preparation and disclosure of economic-financial, non-financial and corporate information, 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 25 March 2022.

The Board of Directors of Unicaja Banco certifies that the publication of the Pillar III Disclosure has been carried out following the instructions set out in Part Eight of Regulation (EU) 575/2013 and has been prepared in accordance with Unicaja Banco's "Policy for the preparation and disclosure of economic-financial, non-financial and corporate information", and considering the processes, systems and internal controls established in the Bank.

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 referenced to the consolidated annual accounts and management report of Unicaja Banco Group for the 2021 financial year (available on the corporate website), as it is contained therein and would be redundant with the same.

Finally, Article 433a, which has been incorporated into Regulation (EU) No 575/2013 through Regulation (EU) 2019/876, establishes the guidelines for both the frequency and the information to be disclosed under Titles II and III of Part Eight, for entities considered to be large.

Thus, Unicaja Banco Group, with the aim of incorporating the guidelines established in article 433a for information with reference to the second quarter of the 2021 financial year into the Pillar III Disclosure, adapted the set of quarterly information that the Entity publishes on its corporate website, on the same site as this document.

2. Disclosure of key metrics

The values of Unicaja Banco Group's key metrics are shown below:

Table 1 Key Metrics Template - EU KM1[2]

Millions of euros		31/12/2021*	30/09/2021*	30/06/2021	31/03/2021	31/12/2020
Available own funds (amounts)						
1	Common Equity Tier 1 Capital	4,802	5,316	3,649	3,623	3,740
2	Tier 1 capital	5,349	5,363	3,696	3,670	3,787
3	Total capital	5,936	5,935	3,996	3,970	4,087
Risk-weighted exposure amounts						
4	Total risk-weighted exposure amount	35,291	35,699	19,040	22,135	22,492
Capital ratios (as a percentage of risk-weighted exposure amount)						
5	Common Equity Tier 1 ratio (%)	13.61	14.89	19.16	16.37	16.63
6	Tier 1 capital ratio (%)	15.16	15.02	19.41	16.58	16.84
7	Total capital ratio (%)	16.82	16.62	20.99	17.94	18.17
Additional own funds requirements for risks other than the risk of excessive leverage (as a percentage of the risk-weighted exposure amount)						
EU 7a	Additional own funds requirements for risks other than the risk of excessive leverage (%)	1.75	1.75	1.75	1.75	1.75
EU 7b	Of which: to be composed of Common Equity Tier 1 capital (percentage points)	0.98	0.98	0.98	0.98	0.98
EU 7c	Of which: to be composed of Tier 1 capital (percentage points)	1.31	1.31	1.31	1.31	1.31
EU 7d	Total SREP own funds requirements (%)	9.75	9.75	9.75	9.75	9.75
Combined buffer and overall capital requirement (as a percentage of risk-weighted exposure amount)						
8	Capital conservation buffer (%)	2.50	2.50	2.50	2.50	2.50
EU 8a	Conservation buffer due to macro-prudential or systemic risk observed in a Member State (%)	-	-	-	-	-
9	Institution-specific countercyclical capital buffer (%)	-	-	-	-	-
EU 9a	Systemic risk buffer (%)	-	-	-	-	-
10	Global systemically important institution buffer (%)	-	-	-	-	-
EU 10a	Other systemically important institution buffer (%)	-	-	-	-	-
11	Combined buffer requirement (%)	2.50	2.50	2.50	2.50	2.50
EU 11a	Overall capital requirement (%)	12.25	12.25	12.25	12.25	12.25
12	CET 1 available after meeting the total SREP own funds requirements (%)	2,868	3,358	2,604	2,409	2,506
Leverage ratio						
13	Total exposure measure	98,293	105,460	61,143	61,749	62,108
14	Leverage Ratio (%)	5.44	5.09	6.04	5.94	6.10
Additional own funds requirements to address the risk of excessive leverage (as a percentage of total exposure measure)						
EU 14a	Additional own funds requirements to address the risk of excessive leverage (%)	-	-	-	-	-
EU 14b	Of which: to be made up of Common Equity Tier 1 capital (percentage points)	-	-	-	-	-
EU 14c	Total SREP leverage ratio requirements (%)	3.12	3.08	3.00	-	-
Leverage ratio buffer and overall leverage ratio requirement (as a percentage of the total exposure measure)						
EU 14d	Leverage ratio buffer requirement (%)		-	-	-	-
EU 14e	Overall leverage ratio requirements (%)	3.12	3.08	3.00	-	-

[2]The figures in this table incorporate the retained earnings for the year 2021, the calculation of which for solvency purposes is pending approval by the European Central Bank.

(*) Data for September and December 2021 include the impact of the merger with Liberbank.

Millions of euros		31/12/2021*	30/09/2021*	30/06/2021	31/03/2021	31/12/2020
Liquidity coverage ratio						
15	Total high quality liquid assets (HQLA) (Weighted value - average)	29,435	27,580	17,885	17,616	16,932
EU 16a	Cash outflows - Total weighted value	10,593	10,169	6,450	6,846	6,050
EU 16b	Cash inflows - Total weighted value	994	980	679	694	590
16	Total net cash outflows (adjusted value)	9,599	9,189	5,771	6,152	5,461
17	Liquidity Coverage Ratio (%)	307	300	310	286	310
Net stable funding ratio (**)						
18	Total available stable funding	87,739	85,973	49,413	48,755	48,124
19	Total required stable funding	61,847	61,375	33,763	34,098	33,727
20	NSF Ratio (%)	142	140	146	143	143

(**) NSFR data for December 2020 is calculated based on the Basel III Standard, Net Stable Funding Ratio, October 2014.

3. General information requirements

3.1. Company name

Unicaja Banco was incorporated on 1 December 2011 by the savings bank Unicaja, through the segregation to the Bank of its financial business. On 31 October 2014, the General Assembly of Unicaja (Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera and Jaén) approved the transformation of this entity into a banking foundation (currently Fundación Bancaria Unicaja), in accordance with the Law on Savings Banks and Banking Foundations.

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

In July 2021, the legal merger by absorption of Liberbank by Unicaja Banco was formalised, making Unicaja Banco the fifth largest bank in the Spanish financial system by volume of assets, with a proven track record of solvency and financial soundness.

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

The Bank's objects include 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.

Likewise, the Bank is also the head of a subgroup of subsidiaries engaged in various activities that make up Unicaja Banco Group, as described in the consolidated financial statements for 2021.

Unicaja Banco S.A. is an Entity subject to the rules and regulations applicable to banks operating in Spain. Further additional public information on the Bank can be found on the Bank's official website (www.unicajabanco.com)

3.2. 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, which determine the principles of action of the Board of Directors, the basic rules of its organisation and operation and those of its support committees and the rules of conduct of its members, in order to achieve the greatest efficiency and transparency in its management.

The Board of Directors has five support committees that supervise, inform, advise and propose matters within their competence: Audit and Regulatory Compliance Committee, Appointments Committee, Remuneration Committee, Risk Committee and Technology and Innovation Committee.

Pursuant to article 435.2 of the CRR, the main bodies comprising the corporate governance system, their functions, composition, functioning, professional profile and the number of directorships held by each of their members, among others, as well as a reference to the policies implemented in the Entity that ensure the suitability of the members of the Board of Directors and the actions taken by the Company in the area of diversity, can be consulted in the Annual Corporate Governance Report for financial year 2021 published on the website of the CNMV (www.cnmv.es) and of the Company (www.unicajabanco.com)

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3.3. Scope of application

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

Annexes III, IV and V to the notes to the consolidated annual accounts for 2021 provide a breakdown of the entities included in the scope of public consolidation, indicating, inter alia, their method of consolidation and 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 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 to be considered eligible for consolidation due to their activity.

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

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

- Joint ventures (jointly-controlled entities). In preparing the consolidated annual accounts of Unicaja Banco Group, 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.

- Subsidiaries or jointly-controlled entities that have not been consolidated or deducted. Certain subsidiaries or jointly-controlled entities of Unicaja Banco Group have not been fully or proportionally consolidated, nor have they been deducted from the Group's capital.

In accordance with the aforementioned criteria, Annex III of this document includes Unicaja Banco Group companies with differences between the accounting consolidation method and the prudential consolidation method at 31 December 2021, as well as the entities that are subject to deduction of own funds in the application of article 36 of Regulation (EU) 575/2013.

Likewise, for the rest of the companies for which the prudential consolidation method coincides with the accounting consolidation method, see Annexes III, IV and V of the notes to the Annual Accounts of Unicaja Banco Group.

On the 31st of December 2021 there are not non-consolidated subsidiaries with equity below the minimum required by the applicable regulations.

In addition, there are not current or foreseen significant practical or legal impediments to the rapid transfer of equity or repayment of liabilities between the Entity and its subsidiaries.

Lastly, note 45 "Related parties" of the notes to the 2021 annual accounts of Unicaja Banco Group includes the asset and liability balances, as well as a detail of the income and expenses recorded in the profit and loss account and transactions with related parties.

The following table shows the reconciliation between the public and reserved Balance Sheet of Unicaja Banco Group:

Table 2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements - EU CC2:

Millions of euros	**Balance sheet as in published financial statements**	**Under regulatory scope of consolidation**	**Reference EU CC1**
	As at period end	**As at period end**	
Assets - Breakdown by asset classes according to the balance sheet in the published financial statements			
Cash, cash balances at central banks and other demand deposits	21,298	21,297	
Financial assets held for trading	45	16	
Non-trading financial assets mandatorily measured at fair value through profit or loss	228	228	
Financial assets at fair value through other comprehensive income	1,298	640	
Financial assets at amortised cost	81,992	82,019	
Derivatives - hedge accounting	815	815	
Changes in the fair value of hedged items in a portfolio hedged against interest rate risk	99	99	
Investments in subsidiaries, joint ventures and associates	1,052	1,255	
Assets created by insurance or reinsurance contracts	2	-	
Tangible assets	2,249	2,160	
Intangible assets	80	36	
Tax assets	5,250	5,221	
Other assets	442	440	
Non-current assets and disposable groups of items that have been classified as held for sale	700	700	
Total assets	**115,550**	**114,927**	
Liabilities - Breakdown by liability classes according to the balance sheet in the published financial statements			
Financial liabilities held for trading	31	15	
Financial liabilities measured at amortised cost	105,476	105,480	
of which: Debt securities issued	*2,498*	*2,498*	*46*
Derivatives - hedge accounting	1,000	1,000	
Liabilities created by insurance or reinsurance contracts	580	-	
Provisions	1,428	1,427	
Tax liabilities	389	346	
Other liabilities	320	332	
Total liabilities	**109,224**	**108,601**	
Own funds			
Capital	664	664	1
Share premium	1,209	1,209	1
Issued equity instruments other than capital	547	547	30
Other equity items	0	-	
Retained earnings	2,743	2,854	2
Revaluation reserves	0	-	
Other reserves	142	32	3
(-) Own shares	-3	-3	
Profit attributable to the parent company	1,113	1,113	EU-5a[4]
Cumulative other comprehensive income	-90	-90	3
Minority interests [non-controlling interests].	0	0	
Total shareholders' equity	**6,326**	**6,326**	

[4] The amount of dividends and the remuneration of Additional Tier 1 Capital is taken into account.

The table below shows the correspondence between the categories in the financial statements and the regulatory risk categories of Unicaja Banco Group at 31 December 2021:

Table 3 Differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories - EU LI1

			Carrying values of items				
Millions of euros	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to market risk framework	Not subject to own funds requirements or subject to deduction from own funds
Breakdown by asset classes according to the balance sheet in the published financial statements							
Cash, cash balances at central banks and other demand deposits	21,298	21,297	21,297	-	-	-	-
Financial assets held for trading	45	16	1	14	-	-	-
Non-trading financial assets mandatorily measured at fair value through profit or loss	228	228	228	-	-	-	-
Financial assets at fair value through other comprehensive income	1,298	640	640	-	-	-	-
Financial assets at amortised cost	81,992	82,019	81,000	971	48	-	-
Derivatives - hedge accounting	815	815	-	815	-	-	-
Changes in the fair value of hedged items in a portfolio hedged against interest rate risk	99	99	-	-	-	-	-
Investments in subsidiaries, joint ventures and associates	1,052	1,255	1,089	-	-	-	166
Assets created by insurance or reinsurance contracts	2	-	-	-	-	-	-
Tangible assets	2,249	2,160	2,160	-	-	-	-
Intangible assets	80	36	28	-	-	-	8
Tax assets	5,250	5,221	4,009	-	-	-	1,212
Other assets	442	440	395	-	-	-	45
Non-current assets and disposal groups that have been classified as held for sale	700	700	700	-	-	-	-
Total assets	**115,550**	**114,927**	**111,547**	**1,801**	**48**	**-**	**1,432**
Breakdown by classes of liabilities according to the balance sheet in the published financial statements							
Financial liabilities held for trading	31	15	-	-	-	-	15
Financial liabilities measured at amortised cost	105,476	105,480	-	157	-	-	105,323
of which: Debt securities issued	2,498	2,498	-	-	-	-	2,498
Derivatives - hedge accounting	1,000	1,000	-	-	-	-	1,000
Liabilities created under insurance or reinsurance contracts	580	-	-	-	-	-	-
Provisions	1,428	1,427	-	84	-	-	1,343
Tax liabilities	389	346	-	-	-	-	346
Other liabilities	320	332	-	-	-	-	332
Total liabilities	**109,224**	108,601	-	241	-	-	108,360

The difference between the regulatory assets and the accounting assets of Unicaja Banco Group at 31 December 2021 is mainly due to the difference in the consolidation method used between the public and reserved perimeter of an insurance subsidiary of Unicaja Banco Group. There is also an increase in the exposure subject to derivative counterparty risk.

The main sources of differences in Unicaja Banco Group between regulatory exposure amounts and carrying values in financial statements at 31 December 2021 are detailed below:

Table 4 Main sources of differences between regulatory exposure amounts and carrying amounts in financial statements - EU LI2

Millions of euros	Total	Items subject to			
		Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Assets carrying value amount under the scope of regulatory consolidation (as per template EU LI1)	**113,396**	**111,547**	**48**	**1,801**	**-**
Liabilities carrying value amount under the regulatory scope of consolidation (as per template EU LI1)	**-241**	**-**	**-**	**-241**	**-**
Total net amount under the regulatory scope of consolidation:	**113,155**	**111,547**	**48**	**1,560**	**-**
Off-balance sheet amounts	**9,167**	**9,167**	**-**	**-**	
Differences in valuations	-	-	-	-	
Differences due to different netting rules, other than those already included in row 2	-	-	-	-	
Differences due to consideration of provisions	-103	-103	-	-	
Differences due to the use of credit risk mitigation techniques	-291	-291	-	-	
Differences due to credit conversion factors	-7,151	-7,151	-	-	
Differences due to securitisations with risk transfer	-	-	-	-	
Other differences	-	-	-	-	
Exposure amounts considered for regulatory purposes	**114,777**	**113,169**	48	**1,560**	-

As shown in the table above, the main differences between the carrying value and the exposures for solvency purposes relate to off-balance sheet conversion factors and deductions applied.

4. 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 in the implementation of the risk policy within the Group.

- A prudent risk exposure management model 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 risk identification, measurement, management and control methodologies, in a continuous process of improvement and in line with regulatory requirements, while at the same time adapting capital requirements to the level of real risks arising from banking activity.

- A supervisory model based on three lines of defence, in line with the expectations of 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 serve 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, which are the Global Risk Control Directorate together with the Regulatory Compliance Directorate.

  In Unicaja Banco's risk management and control system, 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 Directorate has sufficient authority to adequately perform its functions, having access to all the Entity's business lines, as well as direct access to the Risk Committee and the Board of Directors, in addition to being part of 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:

- Management Committee

- Assets and Liabilities Committee (ALCO)

- Treasury Committee
- Commercial Committee
- Credit Risk Committee
- Real Estate Committee
- Models Committee
- Technology Risk Committee
- Risk and Capital Committee
- Regulatory Compliance Committee
- Sustainability and Corporate Social Responsibility Committee

Based on 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 have been included in the consolidated Management Report. The most relevant indicators of Unicaja Banco Group's risk profile at 31 December 2021 are summarised below:

- Non-performing loans ratio: 3.5%.
- NPA coverage ratio: 65.5%.
- Leverage ratio: 5.44%.
- CET1 ratio (phase-in): 13.6%.
- Total capital ratio (phase-in): 16.8%.
- Liquidity Coverage Ratio (LCR): 307%.

4.1. Risk Appetite Framework

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

Unicaja Banco Group uses the RAF as an instrument for implementing the Group's risk policy and as a key management and control tool that enables it 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) strengthen and disseminate the Group's 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 Institution is willing to assume, and establishes different metrics for their quantification, control and monitoring, which enable it to react to certain levels or situations.

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 types 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 Unicaja Banco Group's objective behaviour, 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 are homogeneous, as they are applied throughout the organisation.

The Group has a Material Risk Identification Process which 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 capital within the Internal Capital Adequacy Assessment Process (ICAAP) or, in the case of liquidity risk, the allocation of liquidity management buffer, assessed within the Internal Liquidity Adequacy Assessment Process (ILAAP). The process for 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 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 Entity's portfolio or financial margin. This provides the management team and governing bodies with the necessary vision of Unicaja Banco Group's resilience to internal and/or external events.

Based on the above, at least for each of the material risks, as well as for some risks that are not considered material but are monitored by the ECB, propensity 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 (inter alia, 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 Department monitors compliance with the Risk Appetite Framework using the existing metrics for each type of risk. These metrics are reported to the Senior Management and to 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.

4.2. Governance

The risk management and control model require a robust and efficient 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, in the Bylaws, and in the regulations and manuals of the Entity, 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 subsequent amendments, as proposed by the Risk Committee.
- Take the RAF into account in the day-to-day management of the Entity and, in particular, in strategic decision-making.
- Receive information, at least quarterly, of the monitoring of the RAF through the Risk Committee, without prejudice to the information that may be requested at any time.
- Take remedial action where appropriate.
- Specifically approve, where appropriate, the maintenance of situations that entail a breach of Limits.

Risk Committee

Its main functions include:

- To 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 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:
    - The different types of financial and non-financial risks (including operational, technological, legal, social, environmental, political and reputational risks) faced by the Company, including in financial or economic risks, contingent liabilities and other off-balance sheet risks.
    - The setting of the level of risk that the Company considers acceptable.
    - The measures foreseen to mitigate the impact of the identified risks, should they materialise.
    - The information and internal control 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 remedial action in accordance with the established protocol in the event of a breach of a limit where it deems it appropriate to do so.
- 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.
- External 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.

Management Committee

Its functions include, in particular, the following RAF-related functions:

- Validate and submit, where appropriate, to the Governing Bodies the proposals for documents relating to the Entity's strategic planning, including the RAF.
- Transferring 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 Entity's internal committees, which in turn will pass them on to the relevant directorates if necessary.

The Corporate Governance Report of Unicaja Banco Group, published on its website (www.unicajabanco.com) 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.

4.3. Credit risk, concentration, and default management

Credit risk is defined as the risk of incurring losses as a result of a default on payments due to the Entity. This risk is inherent in its operations.

Unicaja Banco has a Manual of Customer Credit Risk Policies, Functions and Procedures, approved by the Board of Directors, which is established as a framework for the appropriate control and 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 Directorate, the Global Risk Control Directorate, and the Directorate General of Credit Risk 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 solid 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 transactions.

It should also be noted that in 2021 Unicaja Banco received the authorisation from the European Central Bank to use internal models relating to the retail portfolio (not SMEs) to calculate its solvency ratios, except for the part of the portfolio acquired in the merger with Liberbank.

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

The principles developed for this purpose are aligned with the Bank's current situation, through the Manual of Customer Credit Risk Policies, Functions and Procedures 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 transaction.
- Prudent relationship between the amount of the transaction and the value of its collateral.
- Policy for the marketing of transactions.
- Collateral valuation policy.
- Consideration of interest rate and exchange rate variability when granting loans denominated in foreign currencies.
- Interest rate risk coverage.
- Policy on exceptions to terms and conditions of transactions.

- 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 transaction.
- Obligation to inform home buyers by subrogation of a real state loan.

On the other hand, Unicaja Banco Group 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 those cases in which a credit institution decides to cancel or reduce the flow of financing.

In addition, the granting of credit transactions 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 Committees of the Directorate General of Credit Risk.
- Corporate Banking Credit Committee.
- Credit Committees at Regional Divisions. - "A".
- Credit Committees at Regional Divisions - "B".
- Branch Credit Committees and Extended 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 accredited persons.
- Supervision of impaired, non-performing and default transactions.

In accordance with current legislation, Unicaja Banco has a policy of forbearance, 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).

4.4. 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 these 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 at fair value.

For the proper management of market risk, the Structural and Non-Financial Risks Area, which reports to the Global Risk Control Directorate, has tools that enable it to measure, calculate and control market risks and the limits authorised by the Board of Directors, 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 exposure to market risk.

Unicaja Banco Group performs the measurement and control function through the establishment of a structure of quantitative limits, as well as of a system of attributions in financial market operations. The Group has detailed information on the various sub-risks and has assigned limits in its Risk Appetite Framework, which enable adequate monitoring and mitigation if necessary.

Responsibility for risk identification and control is ultimately the responsibility of Unicaja Banco Group's governing bodies, so that Senior Management is responsible for and actively participates 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).

4.5. Operational risk

Operational risk is defined as the risk of loss due to the inadequacy or failure of internal procedures, people and systems, or to external events, including legal risk. Unicaja Banco assumes the following operational risk typologies, according to Regulation 575/2013 (CRR), in order to maintain a uniform and parameterised risk management:

- Internal fraud
- External fraud
- Employment practices and safety in the workplace
- Customers, products and business practices
- Damage to tangible physical assets
- Business disruption and system failures
- Process implementation, delivery and management

Also, within operational risk, the following sub-types, among others, are identified:

- Process, damage and external fraud risks are defined as losses resulting from the inadequacy or failure of internal processes or people, or from external events or those caused by fraud, referred to as operational risk to the exclusion of other sub-types.
- Legal risk is defined as the possibility of loss from fines, penalties or punitive damages resulting from supervisory actions as well as from private settlements, except those included in Conduct Risk.
- Conduct risk is the current or future risk that the Entity incurs losses arising from inadequate provision of financial services, including intentional and negligent cases. It also includes internal fraud. Unicaja

Banco Group ensures the correct creation, issue and distribution of products, as well as the provision of services, guaranteeing compliance with current legislation. The Bank's objectives also include ensuring that new products are subject to the necessary analysis and review procedures in order to mitigate the risk of litigation as far as possible.

- Lastly, because of its relationship with operational risk, 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 to external events (macro-environment) that affect the reputation of the sector in general.

- Unicaja Banco Group has traditionally been very demanding in terms of 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 Entity's strategic objectives.

  – 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 user 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".

- The risk of money laundering prevention and terrorist financing is the risk that Unicaja Banco Group may incur or be used for such purposes from criminal activities, giving rise to (i) reputational risk that may result in negative publicity related to the Group's practices and relations, and causing a lack of confidence in its integrity, or (ii) legal risk for which the entity and its employees may be subject to heavy penalties.

- Model risk is the risk arising from potential losses due to decisions based on inadequate use of models or wrong model results. Errors can arise at any stage of a model's life cycle, with the development, implementation and use phases being particularly relevant. This is a cross-cutting risk and therefore the Group measures its potential impact on other areas of the Entity such as credit, IRRBB, market, business, and reputational risk, among others.

- A ranking of the models or Tiering has been established based on their relevance in decision-making, which can vary between 1 and 3, the latter being of lesser relevance.

- The Models Committee is the management body responsible for the supervision, approval and ratification of all those processes in the life cycle of the corporate models that require it. For those models of greater relevance to the Group, a circuit and additional governing bodies have been defined by which they must be presented.

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.

In this respect, the Entity manages operational risk not only by recognising loss-generating events and accounting for them correctly, but also by actively controlling and managing them in order to minimise and reduce all losses and negative impacts arising from this type of risk.

Likewise, it has other operational risk mitigation measures that are used to manage operational risk. These measures include (i) the development of self-assessment exercises and (ii) the system of KRIs (key risk indicators), which enable the evolution of risk factors to be measured.

The Group has a Risk Appetite Framework where a qualitative statement of Operational Risk Appetite is made, and a series of operational risk thresholds are established. These thresholds are approved by the Board of Directors and are consistent with the Entity's strategic plan, business model and management objectives. The Entity's governance model has established the escalation of the Risk Appetite Framework to Senior Management, the Risk Committee and the Board of Directors.

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.

4.6. Technology and cybersecurity risk

Technology and Cybersecurity Risk is defined in the "Guidelines on ICT and Security Risk Management (EBA/GL/2019/04)" as the risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data, or inability to change information technology (IT) in a reasonable time and with reasonable costs when the environment or business requirements change (i.e. agility). This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.

Unicaja Banco has a catalogue of metrics for quantification, control and monitoring within the Entity's Risk Appetite Framework, which divides the risks in this category into two control areas: Technology Risks and Cybersecurity Risks.

Unicaja Banco Group ensures the proper governance of these risks in order to provide resilient and quality services to its customers, shareholders and other stakeholders.

4.7. 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 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 also include monitoring 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 a wide range of scenarios that could significantly affect it are used to capture the various sources of risk.

- 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 and Liabilities Committee (ALCO) develops the strategy within the framework and limits set by the Board of Directors.

4.8. Business and strategic risk

This is defined as the risk of incurring losses due to failed strategic decisions derived from an incorrect analysis of the market in which the Entity operates, either due to a lack of knowledge of the market or the inability to achieve its objectives, which could threaten the viability and sustainability of the Entity's business model.

The Group has various management instruments defined in the Risk Appetite Framework where, through the Risk Appetite Statement, a series of business and strategic risk limits are established which constitute the maximum level of risk for each indicator that the Group considers acceptable. These limits are approved by the Board of Directors in line with the strategic plan, business model and management objectives established in the Entity.

The business risk control and management mechanisms are applied by specialised units, with clearly defined functions, and there are adequate systems for planning objectives and monitoring activities, as well as mechanisms for regular reporting to the governing bodies.

In order to analyse the soundness of its business model, the Group analyses potential vulnerabilities through sensitivities and stress tests. Furthermore, through the Risk Appetite Framework, business and strategic risk metrics are defined and monitored on a recurring basis.

4.9. 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 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 and those carried out through an external manager.

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

4.10. 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 out a position in the market, at a given point in time, without impacting the market price of the instruments or the cost of the transaction (Market Asset Liquidity).

- Gap between the extent to which liabilities transactions fall due and the extent to which lending transactions are realised (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:

- Wholesale funding risk

- Retail funding risk
- Balance sheet growth risk
- Intra-group 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 lies in being able to meet obligations without incurring high costs or loss of profitability, either because of excessive costs to cover needs in a liquidity deficit or because of excess liquidity resulting in a low return on assets, prioritising 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 to ensure that it has sufficient liquidity at all times to meet its payment commitments associated with the settlement of its liabilities on their respective maturity dates without compromising the Group's ability to respond quickly to strategic market opportunities, while remaining within the Risk Appetite Framework (RAF).

The main figures reflecting the Group's liquidity risk profile are included 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 on a daily basis 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 market refinancing. The greater the difference, the greater the available liquidity.

On the other hand, 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 intragroup funding. Each subsidiary manages its sources of funding independently and autonomously in accordance with the Group's Liquidity Risk Control and Management Policies, with each entity defining its own business model and funding strategy, and being coordinated through risk management and control procedures.

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

Unicaja Banco Group also practices a diversification policy in order to avoid excessively concentrated exposures to structural liquidity risk. Similarly, 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 market conditions.

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. The main liquidity risk metrics of Unicaja Banco Group include:

- Liquidity Coverage Ratio (LCR): it 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 in 30 days. Unicaja Banco Group has no 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 2021 stands at 307%, above the regulatory minimum requirement of 100%.

- Net long-term stable 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 institutions 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 over one year, i.e. the ratio between stable funding (liabilities) and assets requiring stable funding. Unicaja Banco Group's NSFR ratio at 31 December 2021 is above the minimum regulatory requirement of 100%, more specifically, 142%.

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

The Entity also has a contingency plan, which is reviewed 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.

Lastly, note 25 "Liquidity risk of financial instruments" in the notes to the consolidated annual accounts of Unicaja Banco Group for the 2021 financial year includes further information on liquidity risk, including information on the maturity matrix.

4.11. 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 risk, market risk, operational risk, liquidity risk, interest risk, reputational risk and 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 the supervisory review[5] , 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 environmental degradation. These risks are generally considered to comprise two main risk factors affecting economic activities, which, in turn, impact the financial system. These are:

- 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, 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.[6]

Accordingly, physical and transition risks are factors of 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 investing book, real estate risk and strategic risk.

For the proper management of ESG risks (which include climate and environmental risks), the Entity has 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:

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[5] According to the *EBA Report on management and supervision of ESG risks for credit institutions and investment firms* (EBA/REP2021/18, June 2021).

[6] The European Union aims to achieve a neutral balance of greenhouse gas emissions by 2050 (see, for example, the "European Green Deal", published by the European Commission in December 2019). This aim has materialised in a binding regulatory text such as the well-known "European Climate Legislation": Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021, establishing the framework for achieving climate neutrality and amending Regulations (EC) 401/2009 and (EU) 2018/1999. In Spain, it is worth highlighting Law 7/2021 of 20 May on climate change and energy transition, with an impact, among other aspects, on transparency and disclosure of information by financial institutions in general, and by banks in particular.

- Approval of the Action Plan on Sustainable Finance 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, which analyses the financial, marketing, and good governance impacts, in order to position itself as an entity committed to sustainability and its derived impacts.

Further details on the ESG risk governance framework are included in Unicaja Banco Group's Consolidated Statement of Non-Financial Information for 2021.

5. Own funds

5.1. Main features of elements computed as own funds

In accordance with Title I of 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 consists of Common Equity Tier 1 capital (CET1) and Additional Tier 1 capital (AT1).

5.1.1. Common Equity Tier 1

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

- Share capital
- Share premiums associated with share capital
- Retained 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/Badwill (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)
- Defined benefit pension fund assets
- The amount corresponding to the insufficiency of the allowances for non-performing exposures
- The inadequacy of credit risk adjustments calculated using the IRB methodology in relation to expected losses

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 qualifying holdings 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.

5.1.2. 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 2021, the Group holds the following outstanding issues considered as Additional Tier 1 capital:

Table 5 Outstanding amounts of PeCoCos and preferred shares as at 31 December 2021

Million euros

Issue	ISIN	Securities issued	Nominal amount	Balance
PeCoCos	ES0280907009	47,385	47	47
Contingently redeemable preferred shares	ES0880907003	2,500	500	500

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. As at 31 December 2021 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 preferred shares, preferred shares 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 bonds grants their 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 shares of Unicaja Banco 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 Unicaja Banco's Bylaws;
- 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, considering in any case that the unpaid interest will not be cumulative;
- That the Bank of Spain has not demanded the cancellation of the payment of the remuneration based on the financial and solvency situation of Unicaja Banco or Unicaja Banco Group, in accordance with the applicable regulations.

In the event that the conditions indicated in the previous sections are partially applicable, 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 tending 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 et seq. 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.

- Viability 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 events: 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 eligibility rules (CRD IV/ CRR) in 2014, the bonds would cease to be eligible at least as Additional Tier 1 capital; (ii) if the bonds would cease to be eligible as core capital; or (iii) if the bonds would cease to be eligible as common equity.

In view of the foregoing, 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 equity" in the Group's consolidated balance sheet.

In relation to the issue made by Unicaja Banco on the 18th of November 2021 ("issue date") and under the resolutions adopted by the General Meeting of Shareholders of Unicaja Banco on 27 April 2018 and by the Board of Directors of Unicaja Banco on 13 October 2021, the issue of Preferred Shares aimed at professional investors and eligible counterparties, which Unicaja Banco had made on the market on the 10th of November 2021, for a nominal amount of 500 million euros, was disbursed. Its principal amount will be susceptible to temporary reduction as a loss absorption mechanism.

The issue price of the securities was 100% and their unit amount was €200,000. They will accrue a fixed annual remuneration payable quarterly in arrears and reviewable during the life of the issue. The remuneration will be 4.875% per annum payable quarterly until 18 May 2027 (excluded) and thereafter will be reviewed on that date and every five years by applying a margin of 5.02% to the 5-year swap rate (5-year mid-swap rate). The payment of this remuneration is subject to certain conditions and is discretionary on the part of Unicaja Banco.

The securities are perpetual, although they may be redeemed in certain circumstances at Unicaja Banco's option. In addition, the principal amount of each of them may be temporarily reduced by up to €0.01 if the Common Equity Tier 1 (CET1) ratio of Unicaja Banco and/or its group, calculated in accordance with regulation (EU) no. 575/2013 of the European Parliament and of the Council of 26 June 2013, falls below 5.125% at any time.

The securities are governed by the Spanish law and were admitted to trading on the AIAF Fixed Income Market, with ISIN code ES0880907003.

5.1.3. Tier 2 capital

Subordinated debt issues are considered Tier 2 capital, subject to the limits and deductions set out in the Regulation. 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.

As at 31 December 2021, Unicaja Banco holds the following outstanding issues of Tier2 Subordinated Debt:

Table 6 Outstanding T2 Subordinated Debt at 31 December 2021

Million euros

Issue	ISIN	Securities issued	Nominal amount	Balance
Unicaja Banco-Subordinated debentures	ES0280907017	3,000	300	300
Liberbank-Subordinated debentures	ES0268675032	3,000	300	307

On the 13 of November 2019 ("Issue Date"), and under the resolutions adopted by the General Meeting of Shareholders of Unicaja Banco on 27 April 2018 and by the Board of Directors of Unicaja Banco on the 25 of October 2019, the issue of Subordinated Debentures aimed at professional investors and eligible counterparties, which Unicaja Banco, S.A. had placed on the market on the 6 of November 2019, for a nominal amount of 300 million euros and maturing on the 13 of November 2029, was closed and paid out. 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 Unicaja Banco's Subordinated Debentures was 100% and their unit amount was 100,000 euros. They accrue a fixed annual coupon of 2.875% for the first 5 years, until 13 November 2024 (excluded), payable on the 13 of November of each year, the first payment being on the 13 of 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 the 13 of 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 applied for consideration of the Subordinated Debentures 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 Debentures 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 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 Debentures lose, in whole or in part, their eligibility as Tier 2 capital of the Bank or the Group (Capital Event, as defined in the 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 the interest payments to be made under the Subordinated Debentures or results in the obligation of the Bank to gross up such payments in favour of the holders of the

Subordinated Debentures as a result of the need to make withholdings 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 Debentures, without the prior consent of their holders, so that they remain classified as Tier 2 capital instruments.

It should also be noted that on 7 February 2022, Unicaja Banco notified the holders of this subordinated debenture as Tier 2 capital of its irrevocable decision to redeem the bonds belonging to this issue early and in full, in accordance with the terms set out in the Prospectus and after receiving the mandatory authorisation from the European Central Bank. The total early redemption date was executed on 14 March 2022 and the redemption price for each subordinated bond will be 100% of its nominal amount (100,000 euros) with payment of the accrued and unpaid coupon, if any, in accordance with the terms and conditions of the issue.

On the 19 of January 2022, Unicaja Banco issued 300 million euros of subordinated debt bonds.

On the other hand, the issue of subordinated debentures from Liberbank and recorded in the consolidated financial statements of Unicaja Banco Group at the date of the accounting effects of the merger by absorption was made on the14 of March 2017 ("issue date"), for a nominal amount of 300 million euros.

The issue price of the securities was 100% and their unit amount is 100,000 euros. They accrue a fixed annual coupon of 6.875% for the first 5 years, until 14 March 2022 (excluded), payable on 14 March each year, the first payment being on 14 March 2018. From 14 March 2022 (included) until 14 March 2027 (excluded) they will bear interest at a fixed rate equal to the applicable 5-year Mid-Swap rate plus a margin of 6.701%, payable on 14 March of each year, with the first payment at this new rate on 14 March 2023. The securities have a maturity of 10 years (14 March 2027). The issuer may, at its option and at any time, with the prior consent of the Supervisor, early redeem the issue in whole, not in part, at its principal amount, upon the occurrence of a tax event or a capital event, as defined in the prospectus of the issue (Conditions 6.3 and 6.4). In addition, the issuer may, at its option (and subject to the consent of the Supervisor), redeem all (but not only part of) the securities, at their principal amount, on the fifth anniversary of the issue date (14 March 2022), together with accrued and unpaid interest up to (but excluding) that date. The securities are governed by the Spanish law and were admitted to trading on the AIAF Fixed Income Market, with ISIN code ES0268675032.

5.2. Amount of own funds

The detail as of 31 December 2021 of 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 presented in Annex I of this document.

Unicaja Banco Group closes 2021 with own funds amounting to 5,936 million euros, which represents 16.82% of its risk-weighted assets.

The CET1 ratio, in accordance with current regulations, is 13.61%, 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.

Annex IV of this document reports the composition of Unicaja Group's own funds, which includes, among other information, the regulatory adjustments, comprising both deductions and prudential filters at 31 December 2021.

5.2.1. Changes in own funds during the year 2021

Unicaja Banco Group has a total capital of 5,936 million euros as at 31 December 2021, which represents an increase of 1,849 million euros in terms of total capital compared to 2020.

This variation in the year is mainly due to the effect of the merger by absorption of Liberbank by Unicaja Banco, and to the issue in November 2021 of 500 million euros of capital instruments considered as Additional Tier 1 Capital.

In addition, a capital reduction of 1,991 million euros was carried out by reducing the nominal value of the shares and creating a restricted reserve for the amount of the reduction.

5.2.2. Capital buffers

The current regulations in force governing the own funds that institutions must maintain establish the following capital ratios for 2021:

- 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%.

For the 2021 financial year, in the context of the SREP (Supervisory Review and Evaluation Process), the European Central Bank has required Unicaja Banco Group to comply with a minimum total capital ratio of 12.25% phase-in (the result of adding the minimum Pillar 1 requirement of 8%, plus a Pillar 2 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 Pillar 1 requirement of 4.5%, plus a Pillar 2 requirement of 0.98% -to cover at least three quarters of the Pillar 2 regulatory requirement through CET1 and at least three quarters with T1- plus the capital conservation buffer of 2.5%). In this regard, it should be noted that the Bank has yet to receive the SREP capital requirements for Unicaja Banco Group for 2022, which will take into account the effect of the merger by absorption of Liberbank.

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.

The CET1 capital ratio of Unicaja Banco Group as at 31 December 2021 is 13.61%, while the total capital ratio is 16.82% (both including retained earnings for the year). Consequently, with the current capital levels, Unicaja Banco Group has covered the capital requirements set by the European Central Bank. The total capital surplus, taking into account the own funds requirements in accordance with Directive 2013/36/EU (CRD-IV) and the Regulation EU 575/2013 (CRR) (Pillar 1), the additional requirements imposed on Unicaja Banco Group as a result of the 2021 SREP (Pillar 2), and the capital conservation buffer of 2.5%, amounts to 1,612,682 thousand euros at 31 December 2021. Similarly, the CET1 surplus taking into account all the above requirements, applied at the CET1 level, amounts to 1,984,243 thousand euros as at 31 December 2021.

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. Both the requirement and the amount of the countercyclical capital buffer as at 31 December 2021 are shown below:

Table 7 Amount of institution-specific countercyclical capital buffer - EU CCyB 2

Million euros	31/12/2021
Total risk exposure amount	35,291
Institution specific countercyclical capital buffer rate	-
Institution specific countercyclical capital buffer requirement	-

The following table also shows the geographical distribution of the relevant credit exposures for the calculation of the countercyclical buffer of Unicaja Banco Group as at 31 December 2021 subject to Article 140(4) of Directive 2013/36/EU:

Table 8 Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer - EU CCyB1

	General credit exposures		Relevant credit exposures - Market risk				Own funds requirements						
Million euros	Exposure value according to the standard method	Exposure value under the internal ratings-based approach	Sum of the long and short positions of the trading book exposures under the standardised approach	Value of trading book exposures for internal models	Securitisation exposures - Exposure value for the investment portfolio	Total exposure value	Relevant credit exposures - Credit risk	Relevant credit exposures - Market risk	Relevant credit exposures - Securitisation positions in the banking book	Total	Risk-weighted exposure amounts	Own funds requirement weights (%)	Countercyclical capital buffer rates (%)
Breakdown by country:													
Spain	97,687	17,165	-	-	133	114,986	2,402	-	2	2,404	30,048	100	
Italy	8,166	-	-	-	-	8,166	4	-	-	4	51	0	
Other countries	-	-	-	-	-	-	-	-	-	-	-	-	
Total	**105,853**	**17,165**	**-**	**-**	**133**	**123,152**	**2,406**	**-**	**2**	**2,408**	**30,099**	**100**	

6. Information on own funds requirements

6.1. Information on own funds requirements and risk weighted amounts

Title II of Part Three of the CRR defines the capital requirements for credit and counterparty risk, Title III defines the own funds requirements for operational risk and Title IV defines the capital requirements for market risk. The amount of Unicaja Banco Group's capital requirements for each type of risk, calculated as 8% of risk-weighted assets at 31 December 2021, is shown below:

Table 9 Summary of total exposure amounts - EU OV1

		Total risk exposure amount (ITER)		Total own funds requirements
	Million euros	31/12/2021	30/09/2021	31/12/2021
1	**Credit risk (excluding counterparty credit risk)**	**31,932**	**32,454**	**2,555**
2	Of which the standardized approach	28,503	28,684	2,280
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which: slotting approach	-	-	-
EU 4a	Of which: equities under the simple risk weighted approach	561	681	45
5	Of which the Advanced Internal Ratings Based (A-IRB) approach	2,868	3,089	229
6	**Counterparty credit risk (CCR)**	**466**	**368**	**37**
7	Of which the standardized approach	153	81	12
8	Of which the internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a central counterpart (CCP)	17	13	1
EU 8b	Of which credit valuation adjustment (CVA)	176	157	14
9	Of which: other counterparty risk (CCR)	121	118	10
15	**Settlement risk**	**-**	**-**	**-**
16	**Securitisation exposures of the investment portfolio (after the cap)**	**24**	**24**	**2**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	24	24	2
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which: 1250 % / deduction	0.38	-	0.03
20	**Position, foreign exchange and commodities risks (Market risk)**	**-**	**-**	**-**
21	Of which the standardized approach	-	-	-
22	Of which IMA	-	-	-
EU 22a	**Large exposures**		**-**	**-**
23	**Operational risk**	**2,868**	**2,852**	**229**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardized approach	2,868	2,852	229
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the deduction thresholds (with a risk weighting of 250 %)	930	1,054	74
29	**Total**	**35,291**	**35,699**	**2,823**

As the 2% of eligible own funds is not exceeded, the capital requirements for foreign exchange risk and the gold position are deemed to be zero (Art. 351 of the EU Regulation).

6.2. 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 aims that this capital is commensurate with the risks inherent in its business, the economic environment in which it operates, the management and control of these risks, the governance systems it has in place, its strategic business plan and its real possibilities of raising more capital.

As a starting point, within the framework of the ICAAP, the Entity has a regular process of material risk identification which allows 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.

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.

7. Information on exposures to credit risk, dilution risk, credit quality and counterparty risk

7.1. Unicaja Banco Group credit risk information

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

The concepts of non-performing loans and impaired positions, as well as the methods used to calculate impairment losses referred to in this section, are based on IFRS (International Financial Reporting Standards). In addition, from 2020 the Entity applies 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 the Unicaja Bando Group for 2021 includes information on "Impairment of financial assets".

Note 10.4 "Refinancing and forborne transactions" in the notes to the consolidated annual accounts of Unicaja Banco Group for the 2021 financial year details the definition of refinancing and forborne transactions.

In addition, note 10.2 "Loans and advances" shows a detail of the financial assets classified as loans and receivables and considered impaired due to their credit risk. Likewise, 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 "Assets sold and impaired" provides details on the evolution of the credit risk hedge.

7.1.2. Credit quality of exposures

The following table details the gross carrying amount as of 31 December 2021 of non-performing and performing exposures and related accumulated impairment, 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 One, Title II, Chapter 2 of the CRR.

Table 10 Performing and non-performing exposures and related provisions - EU CR1

Million euros	Gross carrying amount /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 changes due to credit risk and provisions				On performing exposures	On non-performing exposures
		Of which stage 1	Of which stage2		Of which stage 2	Of which stage 3		Of which in phase 1	Of which in phase 2		Of which stage 2	Of which stage 3			
Cash balances at central banks and other demand deposits	**20,716**	**20,716**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**56,564**	**52,933**	**3,497**	**2,106**	**82**	**1,978**	**-439**	**-127**	**-312**	**-927**	**-6**	**-916**	**-33**	**38.333**	**1.050**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	*5,830*	*5,806*	*25*	*14*	-	*14*	*-1*	-	*-1*	*-8*	-	*-8*	-	*243*	*2*
Credit institutions	*1,119*	*1,119*	-	-	-	-	-	-	-	-	-	-	-	*76*	-
Other financial companies	*1,923*	*1,823*	*2*	*35*	-	*35*	*-3*	*-3*	-	*-26*	-	*-26*	-	*102*	-
Non-financial corporations	*11,850*	*10,073*	*1,741*	*848*	*24*	*806*	*-213*	*-59*	*-154*	*-380*	*-2*	*-376*	*-20*	*5,887*	*421*
Of which SMEs	*6,147*	*4,877*	*1,262*	*719*	*23*	*679*	*-132*	*-34*	*-97*	*-325*	*-2*	*-321*	*-17*	*4,815*	*361*
Households	*35,842*	*34,113*	*1,729*	*1,209*	*58*	*1,123*	*-222*	*-64*	*-157*	*-512*	*-5*	*-506*	*-12*	*32,025*	*627*
Debt securities	**24,973**	**24,879**	**-**	**38**	**-**	**20**	**-0.47**	**-0.47**	**-**	**-38**	**-**	**-20**	**-**	**-**	**-**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	*22,713*	*22,713*	-	*18*	-	-	-	-	-	*-18*	-	-	-	-	-
Credit institutions	*1,805*	*1,723*	-	*20*	-	*20*	-	-	-	*-20*	-	*-20*	-	-	-
Other financial companies	*315*	*303*	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	*140*	*140*	-	-	-	-	*-0.47*	*-0.47*	-	-	-	-	-	-	-
Off-balance sheet exposures	**10,931**	**10,719**	**211**	**363**	**9**	**331**	**-15**	**-9**	**-5**	**-92**	**-0.41**	**-91**		**742**	**5**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	*980*	*980*	*0.27*	*1*	-	*0*	-	-	-	-	-	-	-	*15*	-
Credit institutions	*15*	*15*	-	*0.29*	-	*0.29*	-	-	-	-	-	-	-	-	-
Other financial companies	*1,954*	*1,954*	*0.07*	-	-	-	*-0.01*	*-0.01*	-	-	-	-	-	*26*	-
Non-financial corporations	*6,094*	*5,909*	*186*	*354*	*9*	*323*	*-13*	*-8*	*-5*	*-90*	*-0*	*-89*	-	*500*	*4*
Households	*1,888*	*1,863*	*25*	*9*	*0,09*	*8*	*-2*	*-1*	*-0.18*	*-2*	-	*-2*	-	*201*	*1*
Total	**113,183**	**109,246**	**3,708**	**2,507**	**91**	**2,328**	**-454**	**-136**	**-317**	**-1,057**	**-7**	**-1,027**	**-33**	**39,075**	**1,055**

Below is a detail of Unicaja Banco Group's credit risk exposures by past due days, non-performing and performing, as at 31 December 2021:

Table 11 Credit quality of performing and non-performing exposures by days past due - EU CQ3

	Gross carrying amount/ nominal amount											
	Performing exposures			Non-performing exposures								
Million euros		Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay 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
Cash balances at central banks and other demand deposits	**20,716**	**20,716**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Loans and advances	**56,564**	**56,455**	**109**	**2,106**	**969**	**131**	**124**	**153**	**251**	**107**	**372**	**2,086**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	5,830	5,830	0.01	14	1	-	-	-	13	-	1	14
Credit institutions	1,119	1,119	-	0.01	-	-	-	-	-	-	-	*0.01*
Other financial companies	1,923	1,923	-	35	32	0.02	-	-	3	-	-	35
Non-financial corporations	11,850	11,830	20	848	493	43	41	58	62	19	132	842
Of which SMEs	*6,147*	*6,128*	*19*	*719*	*385*	*39*	*39*	*54*	*60*	*18*	*125*	*714*
Households	35,842	35,752	89	1,209	442	88	83	94	174	88	239	1,195
Debt securities	**24,973**	**24,973**	**-**	**38**	**18**	**-**	**-**	**-**	**-**	**-**	**20**	**20**
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Public administrations	22,713	22,713	-	18	18	-	-	-	-	-	-	-
Credit institutions	1,805	1,805	-	20	-	-	-	-	-	-	20	20
Other financial companies	315	315	-	-	-	-	-	-	-	-	-	-
Non-financial corporations	140	140	-	-	-	-	-	-	-	-	-	-
Off-balance sheet exposures	**10,931**			**363**								**293**
Central banks	-			-								-
Public administrations	980			1								1
Credit institutions	15			0.29								0.21
Other financial companies	1,954			-								0
Non-financial corporations	6,094			354								285
Households	1,888			9								7
Total	113,183	102,143	109	2,507	987	131	124	153	251	107	392	2,399

The breakdown of loans and securities net of debt provisions by residual maturity of Unicaja Banco Group at 31 December 2021 is also presented:

Table 12 Maturity of exposures - EU CR1-A

	Net exposure value					
Million euros	On demand	≤ 1 year	> 1 year ≤ 5 years	> 5 years	No stated maturity	Total
Loans and advances	2,400	4,282	9,400	40,624	598	57,304
Debt securities	-	2,316	8,190	14,467	-	24,972
Total	**2,400**	**6,598**	**17,590**	**55,091**	**598**	**82,277**

7.1.3. Geographical and counterparty distribution of exposures

Below is a breakdown of Unicaja Banco Group's credit risk exposure at 31 December 2021 by geographical area.

Table 13 Quality of non-performing exposures by geography - EU CQ4

	Gross carrying/ nominal amount						
		Of which non-performing		Of which subject to impairment	Accumulated impairment	Provisions on off-balance-sheet commitments and financial guarantees given	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Million euros			Of which defaulted				
On-balance sheet exposures	**83,681**	**2,144**	**2,106**	**83,434**	**-1,404**		***-0.17***
Spain	72,968	2,115	2,078	72,742	-1,367		-0.17
Italy	8,158	0.01	0.01	8,141	-		-
Other countries	2,554	29	28	2,551	-37		-
Off-balance-sheet exposures	**11,294**	**363**	**293**			**-106**	
Spain	*11,268*	*362*	*293*			**-106**	
Italy	*0*	-	-			**-**	
Other countries	*26*	*1*	**-**			**-**	
Total	**94,975**	**2,507**	**2,399**	**83,434**	**-1,404**	**-106**	**-0.17**

The credit quality of loans and advances to non-financial companies by sector of activity of Unicaja Banco Group at 31 December 2021 is shown in the following table:

Table 14 Credit quality of loans and advances to non-financial corporations by industry - EU CQ5

Million euros	Gross carrying amount	Of which non-performing	Of which defaulted	Of which loans and advances subject to impairment	Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
Agriculture, forestry, and fishing	640	28	27	640	-18	-
Mining and quarrying	134	3	3	134	-2	-
Manufacturing	1,772	111	111	1,770	-66	-
Electricity, gas, steam, and air-conditioning supply	1,579	1	1	1,576	-9	-
Water supply	173	2	2	173	-1	-
Construction	1,554	199	199	1,554	-116	-
Wholesale and retail trade	1,465	100	100	1,444	-58	-
Transport and storage	737	43	43	730	-28	-
Accommodation and food service activities	550	124	124	550	-58	-
Information and communication	287	4	4	286	-4	-
Financial and insurance activities	725	1	1	725	-5	-
Real estate activities	995	74	73	995	- 49	-
Professional, scientific, and technical activities	629	68	68	625	-45	-
Administrative and support service activities	502	14	14	502	-7	-0.2
Public administration and defence; compulsory social security	399	0	0	399	-0	-
Education	47	3	3	47	-2	-
Human health and social work activities	224	16	16	224	-15	-
Art, entertainment, and recreation	92	13	13	92	-8	-
Other services	194	44	40	194	- 100	-
Total	**12,698**	**848**	**842**	**12,662**	**-593**	**-0.2**

7.1.4. Forborne exposures

The gross carrying amount of forborne exposures and related accumulated impairment due to credit risk, and collateral and financial guarantees received, in accordance with the scope of prudential consolidation under Part One, Title II, Chapter 2 of the CRR, is presented below as at 31 December 2021. For further information, see note 10.4 "Refinancing and forborne transactions " in the notes to the consolidated annual accounts of Unicaja Banco Group for the 2021 financial year.

Table 15 Credit quality of forborne exposures - EU CQ1

Million 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			On performing forborne exposures	On non-performing forborne exposures		Of which collateral and financial guarantees received on non-performing exposures with forbearance measures
			Of which defaulted	Of which impaired				
Cash balances at central banks and other demand deposits	-	-	-	-	-	-	-	-
Loans and advances	595	817	817	794	-67	-414	743	378
Central banks	-	-	-	-	-	-	-	-
Public administrations	*24*	-	-	-	*-1*	*0*	*19*	*1*
Credit institutions	-	-	-	-	-	-	-	-
Other financial companies	-	*3*	*3*	*3*	-	*-2*	-	-
Non-financial corporations	*392*	*422*	*422*	*400*	*-45*	*-224*	*309*	*169*
Households	*179*	*392*	*391*	*392*	*-21*	*-187*	*415*	*209*
Debt securities	-	-	-	-	-	-	-	-
Loan commitments given	3	0.45	0.45	0.42	-0.12	-0.11	0.13	-
Total	**598**	**817**	**817**	**794**	**-67**	**-414**	**743**	**378**

7.1.5. Changes in the financial year 2021 in the stock of loans and advances due to credit risk

The changes in 2021 in impairment losses due to credit risk recognised by Unicaja Banco Group and in provisions for contingent risks 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.

The change in the stock of non-performing loans and advances in 2021 is shown below:

Table 16 Changes in the stock of non-performing loans and advances - EU CR2

Million euros	Gross carrying amount
Initial stock of non-performing loans and advances 31.12.2021	**1,310**
Effect of the merger by absorption of Liberbank	844
Inflows to non-performing portfolios	549
Outflows from non-performing portfolios	-597
Outflows due to write-offs	*-102*
Outflow due to other situations	*-495*
Final stock of non-performing loans and advances 31.12.2021	**2,106**

Likewise, details of the changes made in 2021 in the value corrections due to asset impairment and in the provisions for contingent liabilities and commitments due to credit risk are included in notes 10.6 "Defaulted and impaired assets" and 18 "Provisions" in the notes to the consolidated annual accounts of Unicaja Banco Group for the financial year 2021.

Note 27 "Exposure to credit risk" in the notes to the consolidated annual accounts of Unicaja Banco Group for 2021 shows the movement in 2021 of Unicaja Banco Group's impaired financial assets that are not recognised in the balance sheet because their recovery is considered remote, although the actions to recover the amounts owed have not been interrupted.

As a conclusion, this section includes details of collateral obtained through repossession and enforcement proceedings as at 31 December 2021:

Table 17 Collateral obtained by taking possession and execution processes - EU CQ7

	Collateral obtained by taking possession	
Million euros	Value at initial recognition	Accumulated negative changes
Tangible fixed assets	**739**	**-208**
Other than those classified as tangible fixed assets	**1,582**	**-667**
Residential immovable property	285	-59
Commercial immovable property	1,180	- 593
Movable property (auto, shipping, etc.)	1	-1
Equity and debt instruments	117	-14
Other collateral	-	-
Total	**2,321**	**-875**

7.1.6. Exposures subject to the measures implemented in response to the Covid 19 crisis

On the 18th of March of 2020, 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 repayment of their mortgage on their primary residence. The scope of application was extended with the publication on 1 April 2020 of Royal Decree-Law 11/2020, so that, in addition to contracts formalised 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 was extended to include loan and credit contracts without mortgage guarantee, including those intended for consumption. Finally, the legislative moratoria were extended to the tourism sector through Royal Decree-Law 25/2020 and to the transport sector (Royal Decree-Law 26/2020). In addition, the measures adopted in those 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 behalf 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 mitigate the economic effects of Covid-19.

In this context, the Group has been granting its customers both public moratoria set out in the aforementioned Royal Decrees and sectoral moratoria under the sectoral agreement signed by the member institutions of the Spanish Confederation of Savings Banks (CECA) on 16 April 2020. Additionally, since March 2020, the Group has been granting transactions for which it has received guarantees under the ICO Covid-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 transaction: applicable aid scheme, type of borrower and term.

As at 31 December 2021, the detail of these transactions is presented below. This information can be found in detail in note "10.5 Measures adopted due to Covid-19: moratoria and financing transactions with ICO Covid-19 guarantee" in the notes to the annual accounts of Unicaja Banco Group for 2021.

Table 18 Information on loans and advances subject to legislative and non-legislative moratoria - Template 1 COVID-19

Million euros	Gross carrying amount							Accumulated impairment, accumulated negative changes in fair value due to credit risk							
		Performing			Non-performing				Performing			Non-performing			
			Of which: exposures with forbearance measures	Of which: Instruments with a significant increase in credit risk since initial recognition, but not 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 not 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	Gross carrying amount
Loans and advances subject to moratoria	**27**	**19**	**-**	**4**	**7**	**0**	**7**	**-1**	**-0.2**	**-**	**-0.1**	**-1**	**-0**	**-1**	**7**
of which: Households	**19**	**15**	**-**	**3**	**5**	**0**	**5**	**-1**	**-0.2**	**-**	**-0.1**	**-1**	**-0**	**-1**	**5**
of which: Collateralised by residential immovable property	*18*	*13*	-	*3*	*5*	*0*	*5*	*-1*	*-0.1*	-	*-0.1*	*-1*	*-0*	*-1*	*5*
of which: Non-financial corporations	**7**	**5**	**-**	**1**	**3**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
of which: Small and medium-sized enterprises	*7*	*5*	-	*1*	*3*	-	*3*	-	-	-	-	-	-	-	2
of which: Collateralised by commercial immovable property	*6*	*4*	-	*0*	*2*	-	*2*	-	-	-	-	-	-	-	2

Table 19 Breakdown of loans and advances subject to legislative and non-legislative moratoria according to the residual maturity of moratoria - Template 2 COVID-19

	Number of obligors (#)	Gross carrying amount							
					Residual maturity of moratoria				
Million euros			Of which: legislative moratoria	Of which: expired	<= 3 months	> 3 months <= 6 months	> 6 months <= 9 months	> 9 months <= 12 months	> 1 year
Loans and advances to which a moratorium has been offered	37,218	2,148							
Loans and advances subject to moratorium (granted)	31,272	1,835	634	1,808	22	3	1	0	0
of which: Households		**1,749**	**547**	**1,729**	**15**	**2**	**1**	**0**	**0**
of which: Collateralised by residential immovable property		*1,597*	*495*	*1,579*	*14*	*2*	*1*	*0*	*0*
of which: Non-financial corporations		**75**	**74**	**67**	**6**	**1**	**-**	**-**	**-**
of which: Small and medium-sized enterprises		*48*	*48*	*41*	*6*	*1*	-	-	-
of which: Collateralised by commercial immovable property		*66*	*66*	*60*	*5*	*1*	-	-	-

Table 20 Information on loans and advances subject to public guarantee schemes introduced in response to the COVID-19 crisis - Template 3 COVID-19

	Gross carrying amount		Maximum amount of the guarantee that can be considered	Gross carrying amount
Million euros		of which: forborne	Public guarantees received	Inflows to non-performing exposures
Newly originated loans and advances subject to public guarantee schemes	**2,520**	**28**	**1,918**	**98**
of which: Households	**247**			**4**
of which: Collateralised by residential immovable property	*0*			*-*
of which: Non-financial corporations	**2,270**	**26**	**1,718**	**94**
of which: Small and medium-sized enterprises	*1,711*			*59*
of which: Collateralised by commercial immovable property	*36*			*3*

7.2. Information on counterparty risk of Unicaja Banco Group

7.2.1. Qualitative information on Counterparty risk

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.

Details of the methods used by Unicaja Banco Group to mitigate counterparty credit risk are included in note 27 "Exposure to credit risk" in the notes to the consolidated annual accounts of Unicaja Banco Group for 2021.

The Group also has a credit and counterparty limit structure, approved by the Board of Directors, which establishes the criteria for assigning limits for capital market operations. The Group does not establish limitations or requirements for operations with clearing houses.

Furthermore, art. 291 of the CRR determines that adverse correlation risk exists when the probability of default of counterparties is positively correlated with general market risk factors. Thus, specific adverse correlation risk will exist if the future exposure to a specific counterparty can be expected to be high when the probability of default of the counterparty is also high. At 31 December 2021, the risk of these effects occurring is minimal given that there is no relevant exposure in this respect within Unicaja Banco Group.

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 daily. Unicaja Banco Group monitors daily the transactions subject to the agreement and the deposits made by the counterparties. The amount of collateral is demanded if it is to be received or, if not, the demand received from the counterparty is met. In this regard, among the counterparty risk mitigation techniques, Unicaja Banco Group uses master netting contracts or agreements[7]. Therefore, the correlation between collateral and guarantor in derivative transactions is not material since the collateral received is cash.

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.

7.2.2. Quantitative information on the counterparty credit risk of Unicaja Banco Group

Unicaja Banco Group calculates capital together with credit risk by applying the standard counterparty risk methodology established in Section 3 of Chapter 6 in Title II of Part Three of the CRR. This methodology is also used to analyse the risk materiality and its internal capital allocation.

Below is a detail of Unicaja Banco Group's credit exposure to counterparty risk at 31 December 2021, 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:

[7] Further details on netting agreements and guarantees are presented in note 31.7 "Netting agreements and guarantees" in the notes to the consolidated annual accounts of Unicaja Banco Group for 2021.

Table 21 Analysis of Counterparty Risk Exposure by Method - EU CCR1

Million euros	Replacement cost	Potential future exposure	EPE	Alpha used for computing the regulatory exposure value	Exposure value pre-credit risk mitigation	Exposure value post-credit risk mitigation	Exposure value	Risk-weighted exposure amount
EU - Original exposure method (for derivatives)	-	-		1.4	-	-	-	-
EU - Simplified Standardised Approach for Counterparty Risk (for derivatives)	-	-		1.4	-	-	-	-
Standardised approach for counterparty risk (for derivatives)	577	206		1.4	1,570	1,109	1,109	160
IMM (for derivatives and securities financing transactions)			-	1.4	-	-	-	-
Of which securities financing transactions netting sets			-		-	-	-	-
Of which derivative and long settlement transactions netting sets			-		-	-	-	-
Of which from contractual cross-products netting sets			-		-	-	-	-
Financial collateral simple methods (for securities financing transactions)					1,128	428	428	131
Financial collateral comprehensive method (for securities financing transactions)					--	-	-	-
VaR for securities financing transactions					0	0	0	0
Total					**2,698**	**1,536**	**1,536**	**290**

The breakdown of counterparty risk exposures by exposure category calculated under the standardised approach is also presented:

Table 22 Standardised approach - Counterparty risk exposures by regulatory exposure class and risk weights - EU CCR3

Million euros

Exposure classes	Risk weight											
	0%		4%	10%	20%	50%		75%	100%	150%	Other	Total exposure value
Central governments or central banks	-	-	-	-	-	-	-	-	-	-	-	-
Regional governments or local authorities	2	-	-	-	-	-	-	-	-	-	-	2
Public sector entities	-	-	-	-	-	4	-	-	-	-	-	4
Multilateral development Banks	-	-	-	-	-	-	-	-	-	-	-	-
International organisations	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	958	-	-	248	198	-	-	-	-	-	1,403
Corporates	-	-	-	-	-	107	-	-	19	-	-	127
Retail	-	-	-	-	-	-	-	0.3	-	-	-	0.3
Institutions and corporates with a short-term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-
Other items	-	-	-	-	-	-	-	-	-	-	-	-
Total exposure value	**2**	**958**	**-**	**-**	**248**	**309**	**-**	**0.3**	**19**	**-**	**-**	**1,536**

In addition, a detail of the collaterals received and delivered used in derivative transactions at 31 December 2021 is presented:

Table 23 Composition of collateral for counterparty risk exposures - EU CCR5

	Collateral used in derivative transactions				Collateral used in securities financing transactions			
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received		Fair value of posted collateral	
Million euros	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated	Segregated	Unsegregated
Cash - domestic currency	-	461	-	709	-	-	-	-
Cash - other currencies	-	-	-	-	-	-	-	-
Domestic sovereign debt	-	-	-	-	-	-	-	-
Other sovereign debt	-	-	-	-	-	-	-	-
Government agency debt	-	-	-	-	-	-	-	-
Corporate bonds	-	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-	-
Other collateral	-	-	-	-	-	-	-	-
Total	**-**	**461**	**-**	**709**	**-**	**-**	**-**	**-**

Transactions that are settled through qualified central counterparties or CCPs whose own funds requirements are calculated under Part Three, Title II, Chapter 6, Section 9 of the CRR as at 31 December 2021 are presented below:

Table 24 Exposures to Central Counterparties (CCPs) - EU CCR8

Million euros	Exposure value	Risk-weighted exposure amount
Exposures to QCCPs (total)		17
Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which:	1,099	7
(i) OTC derivatives	-	-
(ii) exchange-traded derivatives	-	-
(iii) securities financing transactions	*782*	*0.5*
(iv) netting sets where cross-product netting has been approved	*316*	*6*
Segregated initial margin	-	-
Non-segregated initial margin	454	9
Prefunded default fund contributions	-	-
Unfunded default fund contributions	1	1
Exposures to non-QCCPs (total)		
Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which:	-	-
(i) OTC derivatives	-	-
(ii) exchange-traded derivatives	-	-
(iii) securities financing transactions	-	-
(iv) netting sets where cross-product netting has been approved	-	-
Segregated initial margin	-	
Non-segregated initial margin	-	-
Prefunded default fund contributions	-	-
Unfunded default fund contributions	-	-

7.2.3. Quantitative information on the Own Funds Requirement due to CVA surcharge

A credit valuation adjustment (CVA) risk, in accordance with Part Three, Title VI of the Regulation, is the mark-to-market adjustment of the portfolio of transactions with a counterparty. Such an adjustment shall reflect the current market value of the counterparty's credit risk to the institution but shall not reflect the current market value of the institution's credit risk to the counterparty.

The amount of Unicaja Banco Group's risk-weighted exposure to counterparty risk at 31 December 2021, based on the standardised approach, is 176 million euros, see table below:

Table 25 Transactions subject to own funds requirements for CVA risk - EU CCR2

Million euros	Exposure value	Risk-weighted exposure amount
Total transactions subject to the advanced method	-	-
(i) VaR component (including the 3× multiplier)	-	-
(ii) stressed VaR component (including the 3× multiplier)	-	-
Transactions subject to the Standardised method	186	176
Transactions subject to the Alternative approach (based on the Original Exposure method)	-	-
Total transactions subject to own funds requirements for CVA risk	186	176

7.3. Information on the standardised approach

7.3.1. 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.

7.3.2. 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.

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

Below is a detail of Unicaja Banco Group's credit risk exposures at 31 December 2021, to which the standardized approach has been applied for their estimation, before and after applying risk reduction techniques (net exposure):

Table 26 Standardised Approach - Credit risk exposure and credit risk mitigation effects - EU CR4

Million euros

Exposure classes	Exposures before CCF and CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	On-balance sheet exposures	Off-balance sheet exposures	On-balance sheet exposures	Off-balance sheet exposures	RWA	RWA density (%)
Central governments or central banks	39,310	1	45,402	20	16	-
Regional government or local authorities	5,590	915	5,626	253	-	-
Public sector entities	5,075	267	1,858	170	599	30
Multilateral development Banks	-	-	11	0.1	-	-
International organisations	-	-	-	-	-	-
Institutions	3,052	308	3,336	12	1,264	38
Corporates	7,943	2,343	6,956	801	7,297	94
Retail	5,790	1,856	3,706	313	2,642	66
Secured by mortgages on immovable property	17,335	81	17,334	40	6,161	35
Exposures in default	927	265	816	58	926	106
Exposures associated with particularly high risks	314	117	310	54	545	150
Covered bonds	84	-	84	-	17	20
Institutions and corporates with a short-term credit assessments	-	2	-	-	-	100
Collective investment undertakings	60	-	60	-	51	84
Equity	1,122	-	1,122	-	1,590	142
Other items	7,891	2,908	7,897	141	7,396	92
TOTAL	**94,495**	**9,064**	**94,518**	**1,863**	**28,503**	**30**

The total value of Unicaja Banco Group's credit risk exposures at 31 December 2021, after the adjustments indicated in article 111 of the Regulation and the corresponding value corrections for impairment of assets, where applicable, amounts to 96,381 million euros, considering the effects of the reduction in credit risk.

Below is a detail of Unicaja Banco Group's credit risk exposures at 31 December 2021 to which the standardised approach has been applied for their estimation, and after applying the risk mitigation techniques (net exposure), broken down by exposure class and by credit quality grades (measured by the percentage applied for the purpose of calculating the value of the risk-weighted exposure):

Table 27 Standardised approach - EU CR5

Million euros

Exposure classes	Risk weight															Total	Of which unrated
	0%		4%	10%	20%	35%	50%		75%	100%	150%	250%	370%	1250%	Other		
Central governments or central banks	45,389	-	-	-	-	-	33	-	-	-	-	-	-	-	-	45,422	21,343
Regional government or local authorities	5,881	-	-	-	-	-	-	-	-	-	-	-	-	-	-	5,881	3,210
Public sector entities	832	-	-	-	0	-	1,196	-	-	-	-	-	-	-	-	2,028	-
Multilateral development banks	11	-	-	-	-	-	-	-	-	-	-	-	-	-	-	11	11
International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	9	-	-	1,488	-	1,673	-	-	178	-	-	-	-	-	3,347	614
Corporates	-	0	-	-	-	-	60	-	-	7,694	1	-	-	-	-	7,755	6,929
Retail	-	-	-	-	-	-	-	-	4,019	-	-	-	-	-	-	4,019	4,019
Exposures secured by mortgages on immovable property	-	-	-	-	-	16,283	1,092	-	-	-	-	-	-	-	-	17,374	17,374
Exposures in default	-	-	-	-	-	-	-	-	-	771	103	-	-	-	-	875	874
Exposures associated with particularly high risks	-	-	-	-	-	-	-	-	-	-	363	-	-	-	-	363	363
Covered bonds	-	-	-	-	84	-	-	-	-	-	-	-	-	-	-	84	-0
Exposures to institutions and corporates with a short-term credit assessments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Collective investment undertakings	1	-	-	-	2	-	13	-	-	44	-	-	-	-	-	60	60
Equity	-	-	-	-	-	-	-	-	-	810	-	312	-	-	-	1,122	1,122
Other items	1,201	-	-	-	-	-	-	-	-	6,466	-	372	-	-	-	8,038	8,038
TOTAL	**53,315**	**9**	**-**	**-**	**1,574**	**16,283**	**4,066**	**-**	**4,019**	**15,964**	**467**	**684**	**-**	**-**	**-**	**96,381**	**63,960**

7.4. Information on the application of the IRB approach to credit risk

7.4.1. Qualitative information

7.4.1.1. Supervisor's authorisation for the use of the IRB approach

Unicaja Banco was authorised by the Supervisor in June 2021 to use internal models in measuring customer/transaction credit quality and in the calculation of capital requirements for credit risk.

This authorisation currently covers the following portfolios and models:

- Mortgage Portfolio: 6 Scorings, 2 PD models, LGD and EAD models cross-cutting all rating systems

- Personal Guarantee Portfolio: 6 Scorings, 1 PD model, LGD and EAD models cross-cutting all rating systems

- Card Portfolio: 6 Scorings, 1 PD model, LGD and EAD models cross-cutting all rating systems

7.4.1.2. Internal rating systems

Unicaja Banco has scoring models that are solvency qualification tools, known as *scoring* for the retail portfolio or rating for the wholesale portfolio. These models are analysis and valuation systems used by the Entity to establish ratings/scores for customers and/or transactions on the basis of objective and homogeneous criteria derived from the analysis of historical internal data.

Proactive models are used to analyse and monitor the behaviour of the Entity's customers on the basis of the established rating, and reactive models are used to forecast the credit quality of the credit applications made by customers and predict the default of applicants in the event that the transaction is granted.

The quantification of the credit risk of a transaction is based on the calculation of its expected and unexpected loss (the basis of the capital calculation), which requires the estimation and assignment of risk parameters:

- PD (Probability of Default): probability that a transaction / borrower will default on its payment obligations. The PD model focuses on estimating a PD *Through The Cycle*, i.e. a PD based on a Central Trend (CT) or average default rate observed over the period of a full economic cycle. The calculation of the PD is based on internal historical observations of defaults by rating or scoring level.

- LGD (Loss Given Default): It estimates the percentage of the exposure at risk that is not expected to be recovered in the event of default. Percentage complementary to the expected recovery of a transaction in the event of it becoming non-performing, discounting the cash flows produced throughout the recovery process.

- EAD (Exposure at Default): It estimates the expected value of the exposure that could be reached in the next 12 months under the assumption that the customer defaults within that period, relating the value of the drawn between two time periods. It represents the proportion of drawable that the obligor will use as it approaches default.

7.4.1.2.1. Control mechanisms for internal rating systems

The structure of Unicaja Banco's control bodies is structured around three independent and clearly differentiated lines of defence, with the ultimate aim of guaranteeing correct control over the rating and advanced risk mediation systems and their use in management. In general terms, the role of each of the lines of defence is as follows:

- Credit Risk Models Directorate (1st Line of Defence): it develops, maintains, and monitors the internal scoring models and risk parameters. This Directorate is also responsible for promoting their integration in management and strengthening their linkage in the admission, analysis and approval systems, applying the most appropriate working methodologies. The function reports to the Directorate General of Credit Risk, which reports to the CEO, thus maintaining independence from the second and third line of defence.

- Internal Validation Area (2nd Line of Defence): it elaborates and shares a technical opinion on the adequacy of internal models in terms of use and regulatory compliance. The function is under the responsibility of the Global Risk Control Directorate, which reports to the Directorate General of Control, Strategy and Relations with Supervisors, which reports to the Executive Chairman. In addition, the Global Risk Control Department reports functionally to the Risk Committee. This organisational structure meets the requirement of independence from the Credit Risk Models and Internal Audit Directorates.

- Internal Audit Directorate (3rd Line of Defence): independently and objectively reviews the quality and efficiency of the Entity's activities, including validation. It reports functionally to the Audit and Compliance Committee and reports directly to the Executive Chairman. As the third line of defence, and as the last layer of control in the Entity, it periodically assesses the adequacy of policies, methods and procedures and verifies that they are effectively implemented in management.

Unicaja Banco Group has procedures in place to control and manage the credit risks inherent to the Entity's lending investments, involving the various governing bodies, including Senior Management and internal committees. The basic objective of risk management is to preserve the solvency and financial and equity soundness of the Entity, helping to maximise the relationship between profitability and risk, as well as providing the means to carry out an adequate control and monitoring of authorised risks, while also facilitating business development.

One of the essential aspects is the existence of procedures for monitoring and controlling the risks assumed. For this reason, Unicaja Banco's risk management procedures contemplate the recurring preparation of reports with different levels of detail in the information and data reported in proportion to the materiality of the rating systems and the recipients responsible for decision-making and review of these systems.

7.4.2. Quantitative information on the use of the IRB approach for credit risk

The total value of Unicaja Banco Group's credit risk exposures at 31 December 2021 under the IRB approach amounts to 16,537 million euros, which represents 27.12% of the total value of the credit risk exposure, whereas the standardized approach represents 59%. The above-mentioned information on credit risk by exposure class is shown below:

Table 28 Scope of use of IRB and standard approaches - EU CR6-A

Million euros	Exposure value as defined in Article 166 of the CRR for exposures subject to the IRB Approach (a)	Total exposure value of exposures subject to the Standardised Approach and the IRB Approach (b)	Percentage of total exposure value subject to permanent partial use of the standard method (%) (c)	Percentage of total exposure value subject to the IRB Approach (%) (d)	Percentage of total exposure value subject to a roll-out plan (%) (e)
Central governments or central banks	-	50,168	100.0	-	-
Of which: regional governments or local authorities		*5,838*	100.0	-	-
Of which: public sector entities		*5,123*	100.0	-	-
Institutions	-	5,222	100.0	-	-
Corporates	-	9,001	30.0	70.1	-
Of which Corporates enterprises - Specialised lending, excluding slotting approach		-	100.0	-	-
Of which Corporates - Specialised lending under slotting approach		-	100.0	-	-
Retail	16,263	39,933	-	61.0	39.0
Of which Retail - Secured by real estate SMEs		*1,476*	7.0	92.6	-
Of which Retail – secured by real estate non-SMEs		*30,708*	-	51.8	48.2
Of which Retail – Qualifying revolving		*245*	-	57.8	42.2
Of which Retail - Other SMEs		*3,668*	-	100.0	-
Of which Retail - Other non-SMEs		*3,836*	-	74.3	25.7
Equity	274	1,335	-	43.5	56.5
Other non-credit obligation assets	-	7,891	100.0	-	-
Total	**16,537**	**113,549**	**59.0**	**27.1**	**13.7**

Below is a breakdown of the exposures and risk parameters of those transactions for which the IRB approach is used for the purposes of calculating credit risk capital requirements, distributed by exposure class as at 31 December 2021:

Table 29 IRB Approach - Credit risk exposures by exposure class and PD range - Total Exposure - EU CR6 (1)

Million euros

PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF (%)	Exposure post CCF and CRM	Exposure-weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure-weighted average maturity (years)	Risk weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.00 to < 0.15	8,879	328	3	8,890	0.1	266,987	17	-	266	-	1	-1
0.00 to < 0.10	*7,829*	*325*	*3*	*7,839*	*0.1*	*234,458*	*16*	*-*	*188*	*-*	*1*	*-1*
0.10 to < 0.15	*1,051*	*3*	*-*	*1,051*	*0.1*	*32,529*	*24*	*-*	*78*	*0.1*	*0.3*	*-0.3*
0.15 to < 0.25	1,347	54	4	1,349	0.2	61,966	11	-	64	-	0.3	-0.3
0.25 to < 0.50	1,590	136	3	1,594	0.3	128,417	28	-	272	0.2	2	-1
0.50 to < 0.75	1,076	27	4	1,077	0.6	46,829	18	-	174	0.2	1	-4
0.75 to < 2.50	1,741	73	4	1,743	1	111,483	22	-	561	0.3	5	-4
0.75 to < 1.75	*1,108*	*58*	*4*	*1,110*	*1*	*84,619*	*24*	*-*	*321*	*0.3*	*3*	*-2*
1.75 to < 2.5	*632*	*15*	*4*	*633*	*2*	*26,864*	*20*	*-*	*239*	*0.4*	*3*	*-2*
2.50 to < 10.00	622	23	4	623	5	52,417	29	-	483	1	9	-8
2.5 to < 5	*317*	*12*	*4*	*317*	*4*	*31,942*	*32*	*-*	*225*	*1*	*4*	*-3*
5 to < 10	*306*	*11*	*4*	*306*	*6*	*20,475*	*26*	*-*	*258*	*1*	*5*	*-5*
10.00 to < 100.00	400	6	5	400	21	19,915	24	-	475	1	20	-16
10 to < 20	*254*	*5*	*5*	*254*	*14*	*14,560*	*24*	*-*	*285*	*1*	*9*	*-8*
20 to < 30	*73*	*1*	*5*	*73*	*25*	*2,995*	*26*	*-*	*101*	*1*	*5*	*-3*
30.00 to < 100.00	*73*	*1*	*2*	*73*	*40*	*2,360*	*23*	*-*	*89*	*1*	*7*	*-4*
100.00 (default)	587	2	3	587	100	14,107	47	-	575	1	228	-253
Subtotal	**16,242**	**650**	**-**	**16,263**	**129**	**702,121**	**24**	**-**	**2,868**	**4**	**266**	**-284**
Total	**16,242**	**650**	**-**	**16,263**	**129**	**702.121**	**24**	**-**	**2,868**	**4**	**266**	**-284**

Table 30 IRB Approach - Credit risk exposures by exposure class and PD range - Retail exposures - Secured by real estate - EU CR6 (2)

Million euros

PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF (%)	Exposure post CCF and CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure-weighted average maturity (years)	Risk-weighted exposure amount after supporting factors	Density of Risk weighted exposure amount	Expected loss amount	Valuation adjustments and provisions
0.00 to < 0.15	8,392	50	0.1	8,392	0.1	127,831	14	-	202	-	1	-1
0.00 to < 0.10	*7,538*	*47*	*0.1*	*7,538*	*0.1*	*115,169*	*14*	*-*	*161*	*-*	*1*	*-1*
0.10 to < 0.15	*853*	*3*	*-*	*853*	*0.1*	*12,662*	*17*	*-*	*41*	*-*	*0.2*	*-0.1*
0.15 to < 0.25	1,291	2	1	1,291	0.2	30,938	9	-	52	-	0.3	-0.2
0.25 to < 0.50	1,196	19	-	1,196	0.3	18,905	17	-	123	0.1	1	-1
0.50 to < 0.75	1,019	1	-	1,019	1	17,507	15	-	149	0.1	1	-1
0.75 to < 2.50	1,518	5	-	1,518	1	23,692	17	-	431	0.3	4	-3
0.75 to < 1.75	*925*	*4*	*-*	*925*	*1*	*14,145*	*17*	*-*	*220*	*0.2*	*2*	*-1*
1.75 to < 2.5	*593*	*1*	*-*	*593*	*2*	*9,547*	*17*	*-*	*211*	*0.4*	*2*	*-1*
2.50 to < 10.00	480	0.4	-	480	5	8,304	21	-	365	1	5	-5
2.5 to < 5	*214*	*0.1*	*-*	*214*	*4*	*3,817*	*21*	*-*	*143*	*1*	*2*	*-2*
5 to < 10	*266*	*0.3*	*-*	*266*	*6*	*4,487*	*22*	*-*	*222*	*1*	*4*	*-3*
10.00 to < 100.00	361	1	-	361	21	6,047	21	-	424	1	16	-12
10 to < 20	*229*	*0.2*	*-*	*229*	*14*	*3,767*	*20*	*-*	*256*	*1*	*7*	*-6*
20 to < 30	*64*	*-*	*-*	*64*	*25*	*1,085*	*22*	*-*	*88*	*1*	*4*	*-2*
30.00 to < 100.00	*68*	*1*	*-*	*68*	*40*	*1,195*	*20*	*-*	*81*	*1*	*5*	*-4*
100.00 (default)	553	0.3	-	553	100	8,330	44	-	568	1	198	-230
Subtotal	**14,809**	**78**	**-**	**14,809**	**129**	**241,554**	**20**	**-**	**2,315**	**4**	**225**	**-252**
Total	**16.242**	**650**	**-**	**16,263**	**129**	**702,121**	**24**	**-**	**2,868**	**4**	**266**	**-284**

Table 31 IRB-Credit risk exposures by exposure class and PD range-Retail exposures-Renewables - EU CR6 (3)

Million euros

PD scale	On-Balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF (%)	Exposure post CCF and p	Exposure weighted average PD (%)	Number of obligors	Exposure-weighted average LGD (%)	Exposure-weighted average maturity (years)	Risk-weighted exposure amount after supporting factors	Density of Risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.00 to < 0.15	73	277	4	83	0.1	180,522	48	-	2	-	-	-
0.00 to < 0.10	*73*	*277*	*4*	*83*	*0.1*	*180,522*	*48*	*-*	*2*	*-*	*-*	*-*
0.10 to < 0.15	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
0.15 to < 0.25	18	52	4	20	0.2	30,274	49	-	1	0.1	-	-
0.25 to < 0.50	34	117	4	38	0.3	100,411	48	-	3	0.1	0.1	-0.1
0.50 to < 0.75	13	27	4	14	1	27,257	49	-	2	0.1	0	-0.1
0.75 to < 2.50	43	67	8	46	2	78,623	49	-	13	0.3	0.3	-0.5
0.75 to < 1.75	*30*	*54*	*4*	*32*	*1*	*61,072*	*49*	*-*	*8*	*0.2*	*0.2*	*-0.3*
1.75 to < 2.5	*13*	*13*	*4*	*14*	*2*	*17,551*	*50*	*-*	*5*	*0.1*	*0.1*	*-0.2*
2.50 to < 10.00	24	22	8	25	5	32,329	50	-	16	1	1	-1
2.5 to < 5	*13*	*12*	*4*	*14*	*4*	*17,161*	*50*	*-*	*8*	*1*	*0.3*	*-0.3*
5 to < 10	*11*	*10*	*4*	*11*	*6*	*15,168*	*50*	*-*	*9*	*1*	*0.4*	*-0.5*
10.00 to < 100.00	14	5	15	14	16	12,763	50	-	16	1	1	-1
10 to < 20	*11*	*4*	*5*	*11*	*13*	*10,569*	*50*	*-*	*13*	*1*	*1*	*-1*
20 to < 30	*1*	*1*	*5*	*1*	*25*	*1,227*	*50*	*-*	*2*	*2*	*0.2*	*-0.2*
30.00 to < 100.00	*1*	*0.4*	*5*	*1*	*42*	*967*	*50*	*-*	*2*	*2*	*0.2*	*-0.2*
100.00 (default)	6	2	4	6	100	5,367	85	-	2	0.3	5	-4
Subtotal	**224**	**569**	**51**	**245**	**124**	**467,546**	**54**	**0**	**56**	**3**	**7**	**-7**
Total	**16,242**	**650**	**-**	**16,263**	**129**	**702,121**	**24**	**0**	**2,868**	**4**	**266**	**-284**

Table 32 IRB Approach - Credit risk exposures by exposure class and PD range - Retail exposures - Other - EU CR6 (4)

Million euros

PD scale	On-balance sheet exposures	Off-balance sheet exposures pre-CCF	Exposure weighted average CCF (%)	Exposure post CCF and post CRM	Exposure weighted average PD (%)	Number of obligors	Exposure weighted average LGD (%)	Exposure weighted average maturity (years)	Risk-weighted exposure amount after supporting factors	Density of risk weighted exposure amount	Expected loss amount	Value adjustments and provisions
0.00 a < 0.15	415	1	-	415	0.1	23,086	63	-	61	0.1	0.2	-0.3
0.00 a < 0.10	*218*	*1*	*-*	*218*	*0.1*	*2,965*	*70*	*-*	*25*	*0.1*	*0.1*	*-0.1*
0.10 a < 0.15	*197*	*0.1*	*-*	*197*	*0.1*	*20,121*	*56*	*-*	*37*	*0.2*	*0.2*	*-0.2*
0.15 a < 0.25	37	0.1	4	37	0.2	1,089	65	-	10	0.3	-	-0.1
0.25 a < 0.50	361	0.2	6	361	0,4	23,729	62	-	145	0.4	1	-0.4
0.50 a < 0.75	45	-	-	45	1	2,947	60	-	23	1	0.2	-0.2
0.75 a < 2.50	180	1	-	180	1	22,274	58	-	117	1	1	-1
0.75 a < 1.75	*154*	*1*	*-*	*154*	*1*	*21,004*	*56*	*-*	*93*	*1*	*1*	*-1*
1.75 a < 2.5	*26*	*-*	*-*	*26*	*2*	*1,270*	*67*	*-*	*24*	*1*	*0.3*	*-0.2*
2.50 a < 10.00	117	-	63	117	5	16,819	56	-	101	1	3	-2
2.5 a < 5	*89*	*-*	*-*	*89*	*3*	*13,144*	*56*	*-*	*74*	*1*	*2*	*-1*
5 a < 10	*28*	*-*	*63*	*28*	*8*	*3,675*	*57*	*-*	*27*	*1*	*1*	*-1*
10.00 a < 100.00	25	-	67	25	22	2,972	59	-	34	1	3	-2
10 a < 20	*13*	*-*	*67*	*13*	*14*	*1,664*	*60*	*-*	*16*	*1*	*1*	*-1*
20 a < 30	*7*	*-*	*-*	*7*	*26*	*914*	*57*	*-*	*10*	*1*	*1*	*-1*
30.00 a < 100.00	*4*	*-*	*-*	*4*	*38*	*394*	*59*	*-*	*7*	*2*	*1*	*-1*
100.00 (non-payment)	*29*	*-*	*-*	*29*	*100*	*2,594*	*89*	*-*	*5*	*0.2*	*25*	*-19*
Subtotal	**1,208**	**2**	**139**	**1,208**	**129**	**95,510**	**64**	**0**	**497**	**4**	**34**	**-26**
Total	**16,242**	**650**	**-**	**16,263**	**129**	**702,121**	**24**	**0**	**2,868**	**4**	**266**	**-284**

The following table shows the main changes in credit risk capital requirements under the IRB approach from 30 September 2021 to 31 December 2021:

Table 33 RWEA flow statement of credit risk exposures under the IRB approach - EU CR8

Million euros	Risk weighted exposure amount
Risk weighted exposure amount as at 30/09/2021	**3,089**
Asset size (+/-)	-163
Asset quality (+/-)	-57
Model updates (+/-)	-
Methodology and policy (+/-)	-
Acquisitions and disposals (+/-)	-
Foreign exchange rate movements (+/-)	-
Other (+/-)	-
Risk weighted exposure amount as at the end of the reporting period 31/12/2021	**2,868**

The following table shows for each segment subject to the IRB approach, according to the PD scales, information on the average PD of Unicaja Banco Group's exposures as at 31 December 2021, as well as the average annual default rate of these segments:

Table 34 IRB approach – Back-testing of PD per exposure class -Total exposure - EU CR9 (1)

Million euros

PD scale	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Long run average annual default rate (%)
		Of which: defaulted during the year				
0.00 to < 0.15	311,450	235	0.08	0.06	0.08	0.07
0.00 to < 0.10	*272,996*	*135*	*0.05*	*0.05*	*0.07*	*0.06*
0.10 to < 0.15	*38,454*	*100*	*0.26*	*0.12*	*0.13*	*0.17*
0.15 to < 0.25	104,023	188	0.18	0.22	0.21	0.16
0.25 to < 0.50	74,150	189	0.25	0.34	0.35	0.26
0.50 to < 0.75	50,412	252	0.5	0.61	0.58	0.53
0.75 to < 2.50	140,803	1,398	0.99	1.40	1.30	1.03
0.75 to < 1.75	*109,658*	*981*	*0.89*	*1.07*	*1.11*	*0.84*
1.75 to < 2.5	*31,145*	*417*	*1.34*	*1.98*	*2.00*	*1.47*
2.50 to < 10.00	70,515	3,299	4.68	5.14	5.32	4.87
2.5 to < 5	*45,726*	*1,457*	*3.19*	*3.94*	*3.76*	*3.19*
5 to < 10	*24,789*	*1,842*	*7.43*	*6.39*	*8.12*	*7.57*
10.00 to < 100.00	21,132	3,641	17.23	20.96	21.80	19.07
10 to < 20	*11,989*	*1,559*	*13*	*14.24*	*14.41*	*13.71*
20 to < 30	*5,296*	*1,262*	*23.83*	*25.48*	*24.65*	*28.07*
30.00 to < 100.00	*3,847*	*820*	*21.32*	*39.70*	*40.98*	*29.33*
100.00 (default)	23,282	-	100.00	100.00	100.00	100

Table 35 IRB approach - Back-testing of PD- Retail Exposures - Real Estate Collateralised - EU CR9 (2)

Million euros

PD scale	Number of obligors at the end of the previous year		Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Long run average annual default rate (%)
		Of which: during the year				
0.00 to < 0.15	130,382	76	0.06	0.06	0.05	0.07
0.00 to < 0.10	*125,502*	*67*	*0.05*	*0.05*	*0.05*	*0.07*
0.10 to < 0.15	*4,880*	*9*	*0.18*	*0.11*	*0.13*	*0.09*
0.15 to < 0.25	32,538	39	0.12	0.22	0.20	0.15
0.25 to < 0.50	19,147	47	0.25	0.33	0.31	0.29
0.50 to < 0.75	20,173	80	0.40	0.61	0.57	0.47
0.75 to < 2.50	22,947	210	0.92	1.42	1.41	1.09
0.75 to < 1.75	*19,062*	*168*	*0.88*	*1.07*	*1.26*	*0.90*
1.75 to < 2.5	*3,885*	*42*	*1.08*	*1.97*	*2.11*	*1.53*
2.50 to < 10.00	9,996	336	3.36	5.29	5.30	3.63
2.5 to < 5	*6,802*	*184*	*2.71*	*4.15*	*4.22*	*2.85*
5 to < 10	*3,194*	*152*	*4.76*	*6.21*	*7.57*	*4.85*
10.00 to < 100.00	7,942	1,046	13.17	21.08	22.24	15.73
10 to < 20	*4,416*	*410*	*9.28*	*14.31*	*13.97*	*10.40*
20 to < 30	*1,921*	*335*	*17.44*	*25.43*	*24.69*	*19.55*
30.00 to < 100.00	*1,605*	*301*	*18.75*	*39.79*	*41.39*	*24.51*
100.00 (default)	10,259	-	100.00	100.00	100.00	100.00

Table 36 IRB approach-Back-testing of PD -Retail Exposures-Renewable - EU CR9 (3)

Million euros

PD scale	Number of obligors at the end of the previous year	Of which: defaulted during the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Long run average historical annual default rate (%)
0.00 to < 0.15	149,787	89	0.06	0.09	0.08	0.05
0.00 to < 0.10	*144,303*	*66*	*0.05*	*0.09*	*0.08*	*0.04*
0.10 to < 0.15	*5,484*	*23*	*0.42*	*0.00*	*0.14*	*0.24*
0.15 to < 0.25	61,794	100	0.16	0.21	0.22	0.15
0.25 to < 0.50	23,519	39	0.17	0.31	0.40	0.20
0.50 to < 0.75	22,795	106	0.47	0.60	0.57	0.56
0.75 to < 2.50	81,732	702	0.86	1.54	1.35	0.98
0.75 to < 1.75	*57,673*	*419*	*0.73*	*1.32*	*1.09*	*0.71*
1.75 to < 2.5	*24,059*	*283*	*1.18*	*2.06*	*1.96*	*1.40*
2.50 to < 10.00	33,138	1,841	5.56	5.15	6.14	6.12
2.5 to < 5	*18,906*	*704*	*3.72*	*4.07*	*4.34*	*3.58*
5 to < 10	*14,232*	*1,137*	*7.99*	*6.47*	*8.56*	*8.55*
10.00 to < 100.00	7,094	1,311	18.48	16.07	22.65	22.74
10 to < 20	*4,102*	*658*	*16.04*	*12.57*	*15.35*	*17.97*
20 to < 30	*1,451*	*320*	*22.05*	*25.18*	*24.63*	*32.21*
30.00 to < 100.00	*1,541*	*333*	*21.61*	*41.68*	*40.13*	*35.85*
100.00 (default)	6,744	-	100	100	100	100

Table 37 IRB approach-Back-testing of PD - Retail Exposures - Other - EU CR9 (4)

Million euros

PD scale	Number of obligors at the end of the previous year	Of which: defaulted during the year	Observed average default rate (%)	Exposure weighted average PD (%)	Average PD (%)	Long run average annual default rate (%)
0.00 a < 0.15	31,281	70	0.22	0.09	0.12	0.15
0.00 a < 0.10	*3,191*	*2*	*0.06*	*0.05*	*0.05*	*0.11*
0.10 a < 0.15	*28,090*	*68*	*0.24*	*0.14*	*0.13*	*0.16*
0.15 a < 0.25	9,691	49	0.51	0.20	0.21	0.30
0.25 a < 0.50	31,484	103	0.33	0.37	0.33	0.30
0.50 a < 0.75	7,444	66	0.89	0.64	0.63	0.68
0.75 a < 2.50	36,124	486	1.35	1.19	1.16	1.11
0.75 a < 1.75	*32,923*	*394*	*1.20*	*1.06*	*1.06*	*1.02*
1.75 a < 2.5	*3,201*	*92*	*2.87*	*1.95*	*2.14*	*1.82*
2.50 a < 10.00	27,381	1,122	4.10	4.55	4.42	3.62
2.5 a < 5	*20,018*	*569*	*2.84*	*3.42*	*3.08*	*2.85*
5 a < 10	*7,363*	*553*	*7.51*	*8.09*	*7.62*	*6.38*
10.00 a < 100.00	6,096	1,284	21.06	21.90	20.35	17.55
10 a < 20	*3,471*	*491*	*14.15*	*14.47*	*13.87*	*11.19*
20 a < 30	*1,924*	*607*	*31.55*	*26.01*	*24.64*	*26.99*
30.00 a < 100.00	*701*	*186*	*26.53*	*37.89*	*41.91*	*30.04*
100.00 (default)	6,279	-	100	100	100	100

As at 31 December 2021, the total number of short-term (residual maturity less than 1 year) retail (non-SME) obligors whose exposures are calculated under IRB models amounts to 24,876 obligors.

On the other hand, there are overlapping time windows in the Entity in the calculation of the measured long-term PD rates.

7.5. Information on specialised lending and equity exposures under the simple risk weighted approach

The distribution of equity exposures under the simple risk weighted approach as at 31 December 2021 of Unicaja Banco Group is shown below:

Table 38 Specialised lending and equity exposures under the simple risk weighted approach - EU CR10.5

Million euros

Equity exposures under the simple risk weighted approach						
Categories	On-balance sheet exposure	Off-balance sheet exposure	Risk weight	Exposure value	Risk weighted exposure amount	Expected loss amount
Private equity exposures	234	-	190%	234	445	2
Exchange-trade equity exposures	40	-	290%	40	115	1
Other equity exposures	-	-	370%	-	-	-
Total	**274**	**-**		**274**	**561**	**3**

8. Securitisation transactions

8.1. Overview of securitisation activity

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

Unicaja Banco Group has no securitisation exposures against the trading portfolio or positions in re-securitisations. In addition, the Entity has no asset securitisation process in progress as at 31 December 2021.

- **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 preferential tranche

  At 31 December 2021, 99.08% of 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 2021, 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 hedges 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 assessment method.**

  Unicaja Banco Group does not use the internal assessment method.

8.2. Exposures in securitisation transactions

A detail of the type of positions held in these operations by Unicaja Banco Group at 31 December 2021, 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 39 Securitisation exposures in the non-trading book - EU-SEC1

	Institution acts as originator							Institution acts as sponsor				Institution acts as investor			
	Traditional				Synthetic		Subtotal	Traditional		Synthetic	Subtotal	Traditional		Synthetic	Subtotal
	STS		Non-STS												
Million euros		Of which significant risk transfer		Of which significant risk transfer		Of which significant risk transfer		STS	Non-STS			STS	Non-STS		
Total exhibitions	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**48**	**-**	**48**
Retail (total)	-	-	1	1	-	-	-	-	-	-	-	-	48	-	48
Residential mortgage	-	-	1	1	-	-	-	-	-	-	-	-	48	-	48
Credit card	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other retail exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale (total)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Loans to corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Commercial mortgage	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Lease and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

The originated securitisation position has an exposure of 1 million euros for first losses associated with off-balance sheet mortgage loan securitisations. It corresponds to a multi-issuer originator securitisation of assets, in which there is effective and substantial transfer of risk. The Bank has opted to exclude risk-weighted exposures (underlying mortgage loans) from the calculation of own funds consumption, and to do so for the securitisation positions. The securitisation position held is due to a senior eligible liquidity facility, which receives a maximum risk weight equal to the exposure-weighted average risk weight that would apply to the underlying exposures if they had not been securitised (art. 267 Regulation (EU) 2017/2401). No securitisations have been originated in 2021.

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

Table 40 Securitisation exposures in the non-trading book and associated regulatory capital requirements – Institution acting as originator or as sponsor - EU SEC3

Millions of euros	Exposure values (by RW bands / deductions)					Exposure values (by regulatory approach)				Risk-weighted exposure amount (by regulatory approach)				Capital charge after cap			
	≤ 20 % RW	> 20 % to ≤ 50 % RW	> 50 % to ≤ 100 % RW	> 100 % to < 1250 % RW.	1250 % RW / deductions	SEC-IRBA	SEC-ERBA (including internal assessment approach)	SEC-SA	1250 % / deductions	SEC-IRBA	SEC-ERBA (including internal assessment approach)	SEC-SA	1250 % / deductions	SEC-IRBA	SEC-ERBA (including internal assessment approach)	SEC-SA	1250 % / deductions
Total exposures	-	-	-	-	1	-	-	-	1	-	-	-	12	-	-	-	-
Traditional transactions	-	-	-	-	1	-	-	-	1	-	-	-	12	-	-	-	-
Securitisation	-	-	-	-	1	-	-	-	1	-	-	-	12	-	-	-	-
Retail underlying	-	-	-	-	1	-	-	-	1	-	-	-	12	-	-	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic transactions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Likewise, the detail of the net positions after the substitution effects of the credit risk reduction held by Unicaja Banco Group at 31 December 2021, broken down by the risk weighting bands to which they are assigned, is as follows:

Table 41 Securitisation exposures in the non-trading book and associated regulatory capital requirements – Institution acting as investor - EU-SEC4

Million euros	Exposure values (by RW bands / deductions)					Exposure values (by regulatory approach)				Risk-weighted exposure amount (by regulatory approach)				Capital charge after cap			
	≤ 20 % RW	> 20 % to ≤ 50 % RW	> 50 % to ≤ 100 % RW	> 100 % to < 1250 % RW	1250 % RW / deductions	SEC-IRBA	SEC-ERBA (including internal assessment approach)	SEC-SA	Weighting 1 250 % / deductions	SEC-IRBA	SEC-ERBA (including internal assessment approach)	SEC-SA	1250 % / deductions	SEC-IRBA	SEC-ERBA (including internal assessment approach)	SEC-SA	1250 % / deductions
Total exposures	**0.2**	**48**	**-**	**-**	**-**	**-**	**48**	**-**	**-**	**-**	**24**	**-**	**-**	**-**	**2**	**-**	**-**
Traditional securitisation	**0.2**	**48**	**-**	**-**	**-**	**-**	**48**	**-**	**-**	**-**	**24**	**-**	**-**	**-**	**2**	**-**	**-**
Securitisation	0.2	48	-	-	-	-	48	-	-	-	24	-	-	-	2	-	-
Retail underlying	0.2	48	-	-	-	-	48	-	-	-	24	-	-	-	2	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which STS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Synthetic securitisation	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail underlying	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Wholesale	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Re-securitisation	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

9. Credit risk mitigation techniques

9.1. General information

9.1.1. Policies and processes used for credit risk mitigation

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 residences and annexes, offices, warehouses and finished multi-purpose premises and mortgages on rural property, land, vessels, or administrative concessions (net of any prior charges).
- Personal (guarantees, securities, 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 the event of subsequent valuation, it could also be a statistical update thereof, a procedure accepted by Bank of Spain Circular 4/2017 and whose methodology is set out in the BdE's Supervisory Guide.

(c) Trade discounts are generally subject to the formalization of a corresponding cover/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 Title II of the CRR, are as follows:

- Credit risk coverage 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 at 31 December 2021 has no credit derivatives.

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.

- Subscription of insurance.

Unicaja Banco has an asset valuation policy for the categories of exposures classified as normal, special surveillance and non-performing, using, depending on the type of property, full individual appraisals in accordance with ECO 805/2003 or automated value estimates. In addition, this policy provides for the valuation of assets for normal exposures when a significant decline in value is detected.

9.2. Quantitative information

The following detail shows the distribution of Unicaja Banco Group's credit risk exposure at 31 December 2021, 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 reduction applied[8] .

Table 42 CRM techniques overview: disclosure of the use of credit risk mitigation techniques - EU CR3

Million euros	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
Loans and advances	44,007	35,378	31,806	3,791	200
Debt securities	25,011	-	-	-	
Total	**69,018**	**35,378**	**31,806**	**3,791**	**200**
Of which non-performing exposures	*1,095*	*1,050*	*900*	*150*	-
Of which defaulted	*1,064*	*1,042*			

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. The risk-weighted exposure amounts under Unicaja Banco Group's standardised approach at 31 December 2021 after applying the conversion factor and the associated credit risk mitigation for each exposure category are detailed in section 7.3.3 Effect on risk exposures of the application of risk mitigation techniques of this document, in table EU CR4.

9.2.1. IRB approach credit risk mitigation techniques

The effect of credit derivatives on the risk-weighted exposure amounts under the IRB approach used as credit risk mitigation techniques as at 31 December 2021 is presented below:

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

Table 43 IRB Approach - Effect on the RWEAs of credit derivatives used as credit risk mitigation techniques - EU CR7

Million euros	**Pre-credit derivatives risk weighted exposure amount**	**Actual risk weighted exposure amount**
Exposures under FIRB	**-**	**-**
Central governments and central banks	-	-
Institutions	-	-
Corporates	-	-
Of which SMEs	-	-
Of which specialised lending	-	-
Exposures under AIRB	**2,868**	**2,868**
Central governments and central banks	-	-
Institutions	-	-
Corporates	-	-
Of Corporates – which SMEs	-	-
Of which Corporates - specialised lending	-	-
Retail	2,868	2,868
Of which Retail - SMEs, secured by immovable property collateral	-	-
Of which Retail - Non-SMEs, secured by immovable property collateral	2,315	2,315
Of which Retail - qualifying revolving	56	56
Of which Retail - - SMEs- Other	-	-
Of which Retail - Non-SMEs - Other	497	497
TOTAL (including F-IRB and A-IRB exposures)	**2,868**	**2,868**

In addition, the following table details the risk-weighted exposure amounts of credit risk under the IRB approach after applying conversion factors and credit risk mitigation and the impact of credit risk mitigation techniques with and without substitution effect of Unicaja Banco Group at 31 December 2021:

Table 44 IRB Approach - Effect on risk-weighted exposure amounts of credit derivatives used as credit risk mitigation techniques - EU CR7-A

Million euros

A-IRB	Total exposures	Credit risk mitigation techniques											Credit risk mitigation methods in the calculation of RWEAs	
		Funded credit Protection (FCP)									Unfunded credit Protection (UFCP)			
		Part of exposures covered by financial collaterals (%)	Part of exposures covered by other eligible collaterals (%)	Part of exposures covered by immovable property collaterals (%)	Part of exposures covered by receivables (%)	Part of exposures covered by other physical collateral (%)	Part of exposures covered by other funded credit protection(%)	Part of exposures covered by cash on deposit (%)	Part of exposures covered by life insurance policies (%)	Part of exposures covered by instruments held by a third party (%)	Part of exposures covered by personal guarantees (%)	Part of exposures covered by credit derivatives (%)	Risk weighted exposure amount without substitution effects (reduction effects only)	Risk weighted exposure amount with substitution effects (both reduction and substitution effects)
Central governments and central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Corporates - SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Corporates - Specialised lending	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Retail	**16,263**	-	-	-	-	-	-	-	-	-	-	-	**2,868**	**2,868**
Of which Retail – Immovable property SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Retail - Immovable property, non-SMEs	*14,809*	-	-	-	-	-	-	-	-	-	-	-	*2,315*	*2,315*
Of which Retail - Qualifying revolving	*245*	-	-	-	-	-	-	-	-	-	-	-	*56*	*56*
Of which Retail - Other SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Of which Retail – Other non SMEs	*1,208*	-	-	-	-	-	-	-	-	-	-	-	*497*	*497*
Total	**16,263**	-	-	-	-	-	-	-	-	-	-	-	**2,868**	**2,868**

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.

In this regard, as at 31 December 2021 Unicaja Banco Group has no capital requirements for market risk of the positions held in the trading book.

Similarly, as at 31 December 2021, there is no exposure to large risks that exceed the specified limits.

11. Methodology applied in calculating 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 articles 316-320 of the CRR 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 2021, the operational risk requirements are 229 million euros, as detailed in the table below:

Table 45 Operational risk own funds requirements and risk-weighted exposure amounts - EU OR1

Million euros

	Banking activities	Relevant indicator			Own funds requirements	Amount of risk exposure
		Year -3	Year -2	Last year		
1	Banking activities subject to Basic Indicator Approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardized (TSA) / alternative standardised (ASA) approaches	1,639	1,596	1,637	229	2,868
3	*Subject to TSA:*	*1,639*	*1,596*	*1,637*		
4	*Subject to ASA:*	-	-	-		
5	Banking activities subject to advanced measurement approaches	-	-	-	-	-

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 risk 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 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. 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 and Liabilities 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 subcomponents, that give rise to IRRBB, which are:

- Gap risk: risk associated with instruments that are 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).

To calculate optionality, the Entity has developed several behavioural models: (i) the Non-Maturity Deposits Model (NMDs) and (ii) the Loan Portfolio Prepayment Model. The approval and updating of the models are part of the governance of models and therefore these models have been reviewed and validated by the Internal Validation Area.

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 the excesses that occur over the 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 variation 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 includes all positions that are sensitive to interest rate risk, including interest rate derivatives, both implicit and explicit, accounting hedges of both fair value and cash flows, and excluding positions that form part of the trading portfolio, 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 behaviour of stability or early redemptions before maturity that differs significantly from their contractual conditions.

The control functions and methodologies carried out by the Entity also include monitoring the effectiveness of balance sheet coverages 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 a wide range of scenarios are used to capture the various sources of risk.

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 of the notes to the consolidated annual accounts of Unicaja Banco Group for 2021 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 2021 and December 2020, as well as the sensitivity of the entity's balance sheet to an unfavourable horizontal shift of the interest rate curve by 100 basis points in both economic value and net interest margin forecast at 12 months, in a scenario of balance sheet maintenance, both at December 2021 and December 2020.

The following table details the Entity's changes of the economic value of its equity and net interest income as at 31 December 2021:

Table 46 Interest rate risk of non-trading activities - EU IRRBB1

	Changes of the economic value of equity	Changes of the net interest income	
Million euros	31/12/2021	31/12/2021	Requirement
Parallel up	187	233	-
Parallel down	-208	-83	-
Steepener	-157		
Flattener	378		
Short rates up	496		
Short rates down	-481		

13. Leverage ratio

The information required in the reporting template on qualitative aspects related to the EU LRA leverage ratio, as at 31 December 2021, is set out below:

Table 47 Qualitative information on the leverage ratio of Unicaja Banco Group - EU LRA

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 or collateralised derivatives or assets deducted from own funds for solvency purposes) plus off-balance sheet risks (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.
2	**Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers**	During 2021, the leverage ratio of Unicaja Banco Group has been reduced by 66 b.p. compared to the previous year, as a result of the increase in the denominator of the ratio in greater proportion than the increase in the numerator: • The increase in the numerator (Additional Tier 1 Capital) in the year amounted to 1,562 million euros, mainly due to the effect of the merger with Liberbank, as well as the 500 million euros issue in November 2021, considered as Additional Tier 1 Capital. • On the denominator side, the value of the exposure has increased by 36,185 million euros, mainly due to the merger with Liberbank in July 2021. In addition, the Entity continues to apply the exemption for exposures to Central Banks in accordance with Regulation (EU) 2020/873 (*Quickfix*), which will be in force until 31 March 2022.

Table 48 Leverage ratio common disclosure table - EU LR2 - LRCom

Million euros and %		CRR leverage ratio exposures	
		31/12/2021	30/06/2021
On-balance sheet exposures (excluding derivatives and securities financing transactions)			
1	On-balance sheet items (excluding derivatives and securities financing transactions, but including collateral)[9]	95.944	57.643
2	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-	-
3	(Deductions of receivable assets for cash variation margin provided in derivative transactions)	-	-
4	(Adjustment for securities received under securities financing transactions recognised as assets)	-	-
5	(General credit risk adjustments to on-balance sheet items)	-	-
	(Asset amounts deducted in determining Tier 1 capital)	-1.150	-434
	Total on-balance sheet exposures (excluding derivatives and securities financing transactions)	**94.795**	**57.210**
Derivative exposures			
8	Replacement cost associated with SA-CCR derivative transactions (i.e., net of eligible cash variation margin)	577	8
EU-8a	Derogation for derivatives: replacement cost contribution under the simplified standardised approach	-	0
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	206	676
EU-9a	Derogation for derivatives: potential future exposure contribution t under the simplified standardised approach	-	0
EU-9b	Exposure determined under Original Exposure Method	-	0
	(Exempted CCP leg of client -cleared trade exposures) (SA-CCR)	-	0
EU-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-	0
EU-10b	(Exempted CCP leg of client-cleared trade exposures) (Original exposure method)	-	0
11	Adjusted effective notional amount of written credit derivatives	-	0
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-	0
13	**Total derivative exposures**	**783**	**684**
Securities financing transactions (SFT) exposures			
14	Gross SFT assets (with no recognition of netting), after adjustments for sales accounting transactions	1.128	2.104
15	(Netted amounts of cash payable and cash receivable of gross SFT assets)	-1.128	-
16	Counterparty credit risk exposure for SFT assets	405	31
EU-16a	Derogation for SFTs: Counterparty credit risk in accordance with Articles *429e*(5) and 222 CRR	-	-
17	Agent transaction exposures	-	-
EU-17a	(Exempted CCP leg of client cleared SFT exposure)	-	-
18	**Total securities financing transaction exposures**	**405**	**2.135**
Other off-balance sheet exposures			
19	Off-balance sheet exposures at gross notional amount	9.014	3.224
20	(Adjustments for conversion to credit equivalent amounts)	-6.704	-2.109
21	(General provisions associated with off-balance sheet exposures deducted in determining Tier 1 capital)	-	-
22	**Off-balance sheet exposures**	**2.309**	**1.115**
Excluded exposures			
EU-22a	(Exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article *429a*(1) CRR)	-	-
EU-22b	(Exposures exempted in accordance with point (j) of Article 429a (1) CRR (on and off-balance sheet))	-	-
EU-22c	(Excluded exposures of public development banks - Public sector investments)	-	-
EU-22d	(Excluded promotional loans of public development banks - Promotional loans)	-	-
EU-22e	(Excluded passing-through promotional loan exposures by non-public development banks or units)	-	-
EU-22f	(Excluded guaranteed parts of exposures arising from export credits)	-	-
EU-22g	(Excluded excess collateral deposited at triparty agents)	-	-
EU-22h	(Excluded CSD related services of CSD/institutions in accordance with point (o) of Article *429a*(1) CRR)	-	-

[9] The value of {C 47.00, r0255, c0010} is added to row 1, leaving the resulting formula {C 47.00, r0190, c0010} + {C 47.00, r0185, c0010} + {C 47.00, r0186, c0010} + {C 47.00, r0187, c0010} + {C 47.00, r0188, c0010} + {C 47.00, r0189, c0010} + {C 47.00, r0193, c0010} + {C 47.00, r0194, c0010} + {C 47.00, r0195, c0010} + {C 47.00, r0196, c0010} + {C 47.00, r0197, c0010} + {C 47.00, r0198, c0010} + {C 47.00, r0220, c0010} + {C 47.00, r0240, c0010} + {C 47.00, r0255, c0010}

Million euros and %		CRR leverage ratio exposures 31/12/2021	CRR leverage ratio exposures 30/06/2021
On-balance sheet exposures (excluding derivatives and securities financing transactions)			
EU-22i	(Excluded CSD related services of designated institutions in accordance with point (p) of Article *429a*(1) CRR)	-	-
EU-22j	(Reduction of the exposure value of pre-financing or intermediate loans)	-	-
EU-22k	**(Total exempted exposures)**	**-**	**-**
Capital and total exposure measure			
	Tier 1 capital	5,349	3,696
24	Leverage ratio total exposure measure	**98,293**	**61,143**
Leverage ratio			
25	Leverage ratio (%)	5.44	6.04
EU-25	Leverage ratio (without the adjustment due to excluded exposures of public development banks – Public sector investments) (%)	5.44	6.04
25a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) (%)	4.70	5.70
26	Regulatory minimum leverage ratio requirement (%)	3.12	3.00
EU-26a	Additional own funds requirement to address the risk of excessive leverage (%)	-	-
EU-26b	Of which comprised of Common Equity Tier 1 capital	-	-
27	Required leverage buffer (%)	-	-
EU-27a	Overall leverage ratio requirement (%)	3.12	3.00
Choice on transitional arrangements and relevant exposures			
EU-27b	Choice on transitional arrangements for the definition of the capital measure	Transitional Measure	Transitional Measure
Disclosure of mean values			
	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of the amounts of associated cash payables and cash receivables	744	1,657
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	-	-
30	Total exposures (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts).	99,037	62,800
30a	Total exposures (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables).	114,489	67,878
31	Leverage ratio (including the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and receivables).	5.40%	5.88%
31a	Leverage ratio (excluding the impact of any applicable temporary exemption of central bank reserves) incorporating mean values from row 28 of gross SFT assets (after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables).	4.67%	5.44%

Table 49 Breakdown of on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures) - EU LR3 - LRSpl

Million euros		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, securities financing transactions and exempted exposures), of which:	95,944
EU-2	Trading book exposures	-
EU-3	Banking book exposures, of which:	95,944
EU-4	Covered bonds	84
EU-5	Exposures treated as sovereigns	29,576
EU-6	Exposures to regional governments, multilateral development banks, international organisations and public sector entities not treated as sovereigns	4,693
EU-7	Institutions	3,048
EU-8	Secured by mortgages on immovable properties	32,144
EU-9	Retail exposures	7,436
EU-10	Corporate	8,134
EU-11	Exposures in default	935
EU-12	Other exposures (e.g. equities, securitisations and other non-credit obligation assets)	9,895

Table 50 Summary reconciliation of accounting assets and leverage ratio exposures - EU LR1 - LRSum

Million euros		**Applicable amount**
1	Total assets as per published financial statements	115,550
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-623
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for temporary exemption of exposures to central banks (if applicable))	-15,452
5	(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 point (i) of Article *429a*(1) CRR)	-
6	Adjustment for regular way-purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	-6,721
9	Adjustment for securities financing transactions (SFTs)	-723
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	2,309
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced Tier 1 capital)	-
EU-11a	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (c) of Article *429a*(1) CRR)	-
EU-11b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with point (j) of Article *429a*(1) CRR)	-
12	Other adjustments	3,952
	Leverage ratio total exposure measure	**98,293**

14. Encumbered 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 2021, there are not 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 that, 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 asset encumbrance, as they are of paramount importance, as they represent a significant risk to the Group's liquidity and solvency profile, especially those with a significant level of asset 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 management strategy of collaterals aimed at maintaining a prudent level of collateralised assets.

The structure of intra-group charges is not significant in relation to total encumbrances. In addition, based on the criteria set out in article 415.2 of the CRR, there is no significant impact due to currencies other than the reporting currency.

In July 2021 the merger by absorption of Liberbank S.A. (as the absorbed entity) by Unicaja Banco, S.A. (absorbing entity) took place, materialising a change in the structure of the balance sheet, sources of charges, as well as an increase in the main balance sheet items. This has resulted in an increase in encumbered assets, specifically in the heading "Other Assets", including loans and advances other than demand loans, whose source of encumbrance has mainly been the issuance of mortgage bonds and non-mortgage loans.

The degree of overcollateralisation measured as eligible mortgage portfolio over outstanding mortgage bonds amounts to 320%.

Of the total encumbered assets for loans and advances other than demand loans, 28% are retained assets at 31 December 2021. 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 the year 2021 following the instructions of Implementing Regulation (EU) 2021/637 regarding the 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 51 Encumbered and unencumbered assets - EU AE1

Million euros	Carrying amount Encumbered assets		Fair value of encumbered assets		Carrying amount Unencumbered assets		Fair value of unencumbered assets	
		of which EHQLA and HLQLA		of which EHQLA and HLQLA		of which EHQLA and HLQLA		of which EHQLA and HLQLA
Assets of the reporting institution	24,440	12,258			62,664	26,693		
Equity instruments	-	-	-	-	514	34	471	33
Debt securities	12,237	12,258	12,777	12,766	10,293	8,079	10,811	8,505
of which: covered bonds	*78*	*10*	*80*	*10*	*32*	*-*	*33*	*-*
of which: securitisations	*48*	*-*	*50*	*-*	*17*	*-*	*17*	*-*
of which: issued by general governments	*11,846*	*12,208*	*11,835*	*12,716*	*8,673*	*8,040*	*9,160*	*8,466*
of which: issued by financial corporations	*606*	*30*	*682*	*30*	*1,493*	*31*	*1,611*	*32*
of which: issued by non-financial	*31*	*11*	*31*	*12*	*106*	*8*	*22*	*8*
Other assets	12,313	-			51,071	14,833		

In 2021, the median of Unicaja Banco Group's encumbered assets at 31 December 2021 has been made considering the EBA criterion, which is based on the sum of the quarterly median values on a rolling basis over the previous twelve months.[10]

In this regard, in 2021, the median of encumbered assets represents 28.02% of the sum of assets and collateral received at year-end, which means that the median increases by 3.05% compared to the previous year, however, the moderate use of assets by the group as collateral in the financing of the balance sheet continues to be demonstrated.

The item “Other assets" of unencumbered assets include demand loans and advances, as well as concepts which 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, property investment, property, plant and equipment, other intangible assets (including goodwill), deferred tax assets and other assets. These balance sheet items represent 82% of total unencumbered assets.

Collateral received at 31 December 2021 amounts to 1,482 million euros, of which 1,157 million euros are reverse repurchase agreements, with 386 million euros being reused. The remaining collateral is collateral received totalling 326 million euros.

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

Table 52 Collateral received, and own debt securities issued - EU AE2

[10] The effect of the merger of Liberbank by Unicaja Banco has been incorporated in the calculation of the ratio in the quarters ending in September and December 2021.

Million euros	Fair value of encumbered collateral received	of which EHQLA and HLQLA	Fair value of unencumbered collateral received	of which EHQLA and HLQLA
Collateral received by the reporting institution	**386**	**231**	**1,097**	**625**
Loans on demand	-	-	-	-
Equity instruments	-	-	-	-
Debt securities	386	231	771	625
of which: covered bonds	-	-	-	-
of which: securitisations	-	-	-	-
of which: issued by general governments	*386*	*231*	*579*	*625*
of which: issued by financial corporations	-	-	*192*	-
of which: issued by non-financial corporations	-	-	-	-
Loans and advances other than loans on demand	-	-	-	-
Other collateral received	-	-	326	-
Own debt securities issued other than own covered bonds or securitisations	-	-	-	-
Own covered bonds and asset-backed securities issued and not yet pledged			-	-
Total assets, collateral received and own debt securities issued	**24,852**	**12,270**		

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

Table 53 Sources of encumbrance - EU AE3

Million euros	Matching liabilities, contingent liabilities or securities lent	Assets, collateral received, and own debt securities issued other than covered bonds and securitisations encumbered
Carrying amount of selected financial liabilities	**22,005**	**24,435**

Regarding encumbered assets acting as collateral of certain obligations, the main sources of encumbrance amount to 22,005 million euros and include (i) 65% of collateralised deposits other than repurchase agreements, of which the amount drawn down under ECB policy accounts for 36%, (ii) 30% of deposits with repurchase agreements and the remainder are derivatives and securities lending for a residual amount.

15. Remuneration information

15.1. Background

The Annual General Shareholders' Meeting held on 31 March 2021 approved the "Remuneration Policy for Directors of Unicaja Banco, S.A." for the period 2021-2023, in accordance with the provisions of the regulations on banking organization, supervision and solvency and, by reference thereto, the Consolidated Text of the Capital Companies Act. In December 2016, Unicaja Banco's Board of Directors approved the "Remuneration Policy Associated with 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 to 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 will therefore be governed by the following principles, as set out in the "Remuneration Policy Associated with Risk Management ":

- It shall promote and be consistent with 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.

- The criteria for the establishment of the different components of the overall remuneration shall be clearly distinguished and shall broadly correspond to the following parameters:

    - Fixed remuneration 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.

15.2. Regulatory framework on remuneration

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

Table 54 Regulatory framework on remuneration

Regulatory initiatives	Origin	Date
Principles for sound compensation practices	FSB	April-09
High-level principles for remuneration policies	CEBS	April-09
Recommendation on remuneration in the financial sector	EU	April-09
Incorporation of remuneration issues in Directives 2009/111/EC and 2010/76/EU	EU - (CRD III)	May-09
Resolution on remuneration policy	EU	June-10
Green Paper on Corporate Governance	EU	June-10
Law 2/2011 on Sustainable Economy	Spanish Courts	March-11
Law 6/2011, amending various financial regulations	Spanish Courts	April-11
Royal Decree 771/2011, amending Royal Decree 216/2008 on own resources of financial institutions.	Spanish 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 reorganisation 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 the Spanish law to EU regulations on the supervision and solvency of financial institutions.	Government	November-13
Law 10/2014, on the organization, supervision and solvency of credit institutions.	Spanish Courts	June-14
Law 31/2014 amending the Capital Companies Act to improve corporate governance.	Spanish Courts	December-14
Royal Decree 84/2015 developing 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
Circular 2/2016 of the Bank of Spain to credit institutions on supervision and solvency, completing the adaptation of the Spanish legal system to Directive 2013/36/EU and EU Regulation 575/2013.	Bank of Spain	February-16
Guidelines on sound 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 provision of retail banking services	EBA	December-16
Guidelines on Internal Governance (GL 2017/2011)[11]	EBA	March-18
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 conservation measures ("CRD V Directive")	EU	May-19
Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 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) No 648/2012	EU	May-19

[11] These guidelines have been superseded and repealed on 31 December 2021 by the EBA guidelines on internal governance published on 2 July 2021 (EBA/GL/2021/05).

Regulatory initiatives	Origin	Date
Commission Implementing Regulation (EU) 2021/637 of 15 March 2021	EU	March-21
Commission DR (EU) 2021/923 of 25 March 2021 on the selection of the Identified Collective	EU	March-21
Law 5/2021 of 12 April amending the revised text of the Capital Companies Act, approved by Royal Legislative Decree 1/2010 of 2 July, and other financial regulations, with regard to the promotion of long-term shareholder involvement in listed companies.	Government	April-21
RDL 7/2021, of 27 April, transposing the solvency regulations CRD V	Government	April-21
Guidelines on Sound Remuneration Policies under Directive 2013/36/EU (EBA/GL/2021/04)	EBA	July-21

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 organization, supervision and solvency of credit institutions.
- Royal Decree 84/2015, of 13 February, implementing Law 10/2014, of 26 June, on the organization, supervision and solvency of credit institutions.
- Banco de España Circular 2/2016 of 2 February 2016 to credit institutions on supervision and solvency, completing the adaptation of the Spanish legal system to Directive 2013/36/EU and Regulation (EU) No 575/2013.

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 disclose, 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, their risk control, their internal organisation and their 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 this report complies with 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 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.

15.3. 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 the Directors of Unicaja Banco, S.A." for the period 2021-2023 and the "Remuneration Policy Associated with 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 executives, risk-taking employees, those exercising control functions, and any employee receiving overall remuneration that includes them in the same remuneration scale as senior executives and risk-taking employees, whose professional activities have a significant impact on Unicaja Banco's risk profile at 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's "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 of the notes to the consolidated financial statements.

15.4. General Policies and Decision-Making Processes

As indicated in previous sections of this chapter, Unicaja Banco Group's 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 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 with Risk Management", as well as the decision-making process, apart from the powers attributed to the General Shareholders' Meeting, both by law and by the Bylaws.

Board of Directors

Unicaja Banco's Board of Directors 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 three 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 regard 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 Royal Legislative Decree 1/2010 approving the Capital Companies Act, and art. 39 of 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 the company.
- Prepare remuneration decisions, including those with implications for the Company'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, risk-takers, employees who exercise control functions or are similar to any of the above categories, as well as the individual remuneration and other contractual conditions of executive Directors and Senior Executives, risk-takers, employees who exercise control functions or are similar to any of the above categories, ensuring that they are complied with.
- Prepare a specific report, which shall accompany the proposal of the Policy for the Remuneration of the Board of Directors.
- Periodically review the remuneration policy applied to Directors and Senior Executives, including share-based remuneration schemes and their application, and ensure that their individual remuneration is proportionate to that of the other Directors and Senior Executives of the Company.
- Ensure that potential conflicts of interest do not impair the independence of the external advice provided to the Commission.
- Verify the information on directors' and senior management remuneration contained in the various corporate documents, including the annual report on directors' remuneration.

Unicaja Banco's Remuneration Committee, the main body in charge of supervising the remuneration policy, met a total of 7 times during 2021.

As at 31 December 2021, the members of the Remuneration Committee were as follows:

- Ms. María Garaña Corces (Chairperson)
- Mr. Ernesto Luis Tinajero Flores (Secretary)
- Ms. Ana Bolado Valle (Member)
- Ms. María Luisa Arjonilla López (Member)
- Mr. Juan Fraile Cantón (Member)

The current composition of the Remuneration Committee can be consulted on Unicaja Banco's corporate website in the main menu section, Corporate Governance and Remuneration Policy/Board of Directors and Support Committees (https://www.unicajabanco.com).

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 profits.

During 2021, Unicaja Banco's Risk Committee met on a total of 12 occasions.

As at 31 December 2021, the members of the Risk Committee were as follows:

- Mr Jorge Delclaux Bravo (Chairman)
- Ms. María Teresa Sáez Ponte (Secretary)
- Mr. Manuel Conthe Gutiérrez (Member)
- Mr. Manuel González Cid (Member)
- Mr. David Vaamonde Juanatey (Member)

The current composition of the Risk Committee can be consulted on Unicaja Banco's corporate website in the main menu section, Corporate Governance and Remuneration Policy/Board of Directors and Support Committees (https://www.unicajabanco.com).

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 other departments, directorates or corporate functions intervening in the process of drafting, implementing or reviewing the policy: Directorate of Secretariat of Governing and Management Bodies, Directorate of Talent, Labour Relations and HR Economic Management, Internal Audit Directorate, Global Risk Control Directorate and Regulatory Compliance Directorate.

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

- Directorate General of 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 documents 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 that must be approved or taken into consideration.

- Directorate of Talent, Labour Relations and HR Economic Management: To propose and implement the Human Resources policy, developing systems and procedures adapted 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 personnel the Entity needs, but also to ensure that the Policy is in line with 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 Directorate: To be responsible for the control of all risks incurred by the Entity, taking as a reference the RAF in force at any given time; to contribute to the definition of risk-adjusted performance measures, as well as to 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 the 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.

15.5. Description of the identified group

For the purposes of the "Remuneration Policy Associated with Risk Management", as shown above, the group includes directors, senior directors, risk-taking employees, those exercising control functions, and any employee receiving overall remuneration that includes them in the same remuneration scale as senior executives 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, will keep the composition of the Identified Group permanently updated, which will be available to the European Central Bank, the Bank of Spain and the external and internal auditors, at the central offices of the Directorate of Talent, Labour Relations and HR Economic Management.

At 31 December 2021, the aforementioned group was made up of 100 people, representing 1.08% of Unicaja Banco Group's workforce. Specifically, this group consisted of:

- 2 Executive Directors of Unicaja Banco.

- 13 Non-Executive Directors of Unicaja Banco.

- 3 independent directors of the Banco Europeo de Finanzas.

- 18 members of the senior management of Unicaja Banco.

- 9 members of senior management of Group companies.

- Unicaja Banco Managers of: Legal Advisory, Internal Validation, Treasury and Capital Markets, Market Analysis and Strategy, Balance Sheet Management, Non-performing Assets Management, Credit Risk Admission, Credit Risk Monitoring and Control, Credit Risk Models, Real Estate, Unicaja Banco Investees, Liberbank Investees, Retail and Specialised Banking, Private Banking and Asset Management, Insurance Banking, Corporate Banking, Commercial Banking Unicaja Banco Network, Financial and Tax Information, Efficiency and Research, Talent, Labour Relations and Economic Management, Technology, Strategic Planning and Budgeting Control, Corporate Development, Commercial Strategy and Marketing, Operations, Services and Security, Analysis of Companies and Self-Employed, Analysis of Large Companies and Project Finance, Organisation and Resource Optimisation, Data Governance and Quality and Workforce Planning.

- Unicaja Banco's Regional Managers of Commercial Banking in: Malaga, Eastern Andalusia and Western Andalusia, Northern Castilla y León, Southern Castilla y León, Asturias, Cantabria, Castilla-La Mancha, Extremadura and Expansion.

- The Area Managers of Unicaja Banco's Network of Agents from: Unicaja Banco and Liberbank.

- Unicaja Banco’s Head of Commercial Banking for Liberbank network and former Regional Manager of Andalusia.

- Unicaja Banco Western.

- Data Protection Officer of Unicaja Banco.
- Unicaja Banco's Area Managers The directors of Unicaja Banco's areas of: Capital, Key Processes, Structural and Non-Financial Risks, Credit Risk Control, Prevention of Money Laundering and Terrorist Financing, Cybersecurity and Technological Risk (CISO), Back Office, Contracting, Middle Office and Rating and Investor Relations (Debt).

15.6. Description of the remuneration model

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

This system is in line with the provisions of the "Remuneration Policy Associated with 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 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 sectoral collective 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* clauses) in the event of poor financial performance, either for the Entity as a whole or for a specific Department, 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 identified group 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 four years or more than five years.

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

  a) Executive Directors:

     60% of variable remuneration accrued each year will be deferred over a period of three to five 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.

  b) Other members of the Management Committee:

     Between 40% and 60% of the variable remuneration accrued each year will be deferred over a period of four to five 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 over a period of 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.

- 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 Director's or the company's performance. 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 Scheme 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 set; all of this, subject to compliance with the restrictions that are established both at a general level and by system.

$$\overbrace{\textit{Amount to be received = ICO (b) x Applicable modulators (c) x Base or reference incentive (d)}}^{\text{Applicable restrictions (a)}}$$

(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 made up of certain RAF metrics selected among which will be, preferably:

- CET1 Fully-loaded Ratio
- Leverage Ratio
- Efficiency ratio
- NSFR
- Distance in rating to "Peer Group" (No. of Notch)
- Cost of credit impairment over total exposure
- Non-performing ratio (without ATAs)
- NPAs rate (without ATAs)
- Sensitivity of CET1 Fully Loaded to a spread increase

(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 that can be achieved. 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 ICO modulators 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 (excess over budget).

- 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 scheme, 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 Shareholders' Meeting, and once the results of compliance with the objectives, variables and performance evaluation corresponding to each Scheme 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 scheme, 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 nor corresponds to at least one third 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 2021 financial year, based on the aforementioned premises, an agreement was adopted to deactivate the incentive schemes for the members of the Identified Group. However, seven members of this group have received incentives in 2021, as they were not part of it at the time of accrual.

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 with 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 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 foreseen in the Entity's Remuneration Policy Associated with Risk Management:

- Between 40 and 60 per cent of the variable remuneration shall be deferred over a period, considering 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 four 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 and recovery of remuneration 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 considered for this purpose should include, at least:

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

- The increase in the Entity's or a Division, Directorate or Unit's capital requirements that were not foreseen at the time the exposures were generated.

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

- 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:

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

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

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

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

- 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.

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

- 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.

- 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's Policy for Suitability Assessment in force, occurring during the accrual period.

- 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 Identified Group member works or has worked.

- The Identified Group member has engaged in 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.

- 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 2021 financial year, an agreement was adopted to deactivate the incentive schemes for members of the Identified Group.

Exemptions laid down in Article 94(3) CRD

Not applicable, as no variable remuneration was paid to the Identified Group in 2021 during the period in which they belonged to it.

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 2021, no severance payments were made to any member of the identified group. Four members of the "identified group" have taken early retirement and in none of these cases can the compensation received be considered early termination, either due to the way in which it was paid or the amount involved.

Remuneration of Directors in their capacity as such

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

General remuneration of 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 incentive scheme.

15.7. Quantitative information on remuneration

During the 2021 financial year, the remuneration paid to the identified group to which the current remuneration regulations apply, according to the various areas of the Entity's activity, is detailed below:

Table 55 Remuneration awarded for the financial year - EU REM1

Million euros		Management Body Supervisory function	MB Management function	Other senior management	Other identified staff
Fixed remuneration	Number of identified staff	13	2	18	67
	Total fixed remuneration	1	1	3	7
	Of which: cash-based	*1*	*1*	*3*	*7*
	(Not applicable in the EU)				
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: other instruments	-	-	-	-
	(Not applicable in the EU)				
	Of which: other forms	-	-	-	-
	(Not applicable in the EU)				
Variable remuneration	Number of identified staff				7
	Total variable remuneration	-	-	-	0.03
	Of which: cash-based	-	-	-	*0.03*
	Of which: deferred	-	-	-	-
	Of which: shares or equivalent ownership interests	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: share-linked instruments or equivalent non-cash instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other instruments	-	-	-	-
	Of which: deferred	-	-	-	-
	Of which: other forms	-	-	-	-
	Of which: deferred	-	-	-	-
Total remuneration		**1**	**1**	**3**	**7**

Table 56 Special payments to staff whose professional activities have a material impact on institution's risk profile (identified staff) - EU REM2

Million euros	MB Supervisory function	MB Management function	Other senior management	Other identified staff
Guaranteed variable remuneration awards				
Guaranteed variable remuneration awards - Number of identified staff	-	-	-	-
Guaranteed variable remuneration awards - Total amount	-	-	-	-
Of which: guaranteed variable remuneration awards paid during the financial year, that is not taken into account in the bonus cap	-	-	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year				
Severance payments awarded in previous periods, that have been paid out during the financial year - Number of identified staff	-	1	-	-
Severance payments awarded in previous periods, that have been paid out during the financial year - Total amount	-	0.03	-	-
Severance payments awarded during the financial year				
Severance payments awarded during the financial year - Number of identified staff	-	-	-	-
Severance payments awarded during the financial year - Total amount	-	-	-	-
Of which paid during the financial year	-	-	-	-
Of which deferred	-	-	-	-
Of which severance payments paid during the financial year that are not considered in bonus cap	-	-	-	-
Of which highest payment that has been awarded to a single person	-	-	-	-

Table 57 Information on remuneration of staff whose professional activities have a material impact on institution's risk profile (identified staff) - EU REM5

Million euros	**Management body remuneration**			**Business areas**						**Total**
	MB Supervisory function	**MB Management function**	**Total MB**	**Investment banking**	**Retail banking**	**Asset management**	**Corporate functions**	**Independent internal control functions**	**All other**	
Total number of identified staff										100
Of which: members of the management body	*13*	*2*	*15*							
Of which: other senior management				*1*	*2*	*-*	*12*	*3*	*-*	
Of which: other identified personnel				*1*	*26*	*6*	*16*	*7*	*11*	
Total remuneration of identified staff	1	1	2	0.2	3	1	4	1	1	
Of which: variable remuneration	-	-	-	-	*0.02*	-	-	-	*0.01*	
Of which: fixed remuneration	*1*	*1*	*2*	*0.2*	*2.98*	*1*	*4*	*1*	*1*	

On the other hand, it should be noted that no person in Unicaja Banco Group has earned remuneration in excess of one million euros during 2021.

Finally, as at 31 December 2021, the Entity does not have an amount from deferred remuneration.

16. Annex I: Main features of Unicaja Banco Group's own funds instruments at 31/12/2021

Table 58 Main features of regulatory own funds instruments and eligible liability instruments - EU CCA

Million euros		CET1 - ES0180907000	AT1 - EN0280907009	AT1 - EN0880907003	T2 - EN0280907017	T2 - ES0268675032
1	Issuer	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A.	Unicaja Banco, S.A. (origin: Liberbank)
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement of securities)	ES018090907000	ES0280907009	ES0880907003	ES028090907017	ES0268675032
2ª	Public or private placement	Public	Private	Public	Public	Public
3	Governing law(s) of the instrument	Spanish Legislation	Spanish Legislation	Spanish Legislation	Spanish Legislation	Spanish Legislation
3ª	Contractual recognition of write down and conversion powers of resolution authorities	n/a	Yes	Yes	Yes	Yes
	Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Tier 1 Capital	Additional Tier 1 Capital	Additional Tier 1 Capital	Tier 2 Capital	Tier 2 Capital
5	Post-transitional CRR rules.	Common Tier 1 Capital	Additional Tier 1 Capital	Additional Tier 1 Capital	Tier 2 Capital	Tier 2 Capital
6	Eligible at solo /(sub-)consolidated/ solo & (sub-)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated	Solo and (sub)consolidated
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares	Perpetual Contingently Convertible Bonds into newly issued shares (PeCoCos Bonds)	Preference shares	Subordinated Debt	Subordinated Debt
8	Amount recognised in regulatory capital or eligible liabilities (currency in millions, as of most recent reporting date)	664	47	500	300	300
9	Nominal amount of instrument	664	49	500	300	300
EU-9a	Issue price	n/a	100%	100%	100%	100%
EU-9b	Redemption price	n/a	100%	100%	100%	100%
10	Accounting classification	Equity	Equity	Equity	Liabilities - Amortised Cost	Liabilities - Amortised Cost
11	Original date of issuance	n/a	28/03/2014	18/11/2021	13/11/2019	14/03/2017
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	Dated	Dated
13	Original maturity date	No maturity date	No maturity date	No maturity date	13/11/2029	14/03/2027
14	Issuer call subject to prior supervisory approval	No	No	Yes	Yes	Yes
15	Optional call option exercise date, contingent exercise dates and amount to be redeemed	n/a	n/a	From 18/11/2026 (included) to 18/05/2027 (excluded) at 100%.	13/11/2024 at 100%. In the event of a Tax Event or Capital Event.	14/03/2022 at 100%. In the event of a Tax Event or Capital Event.

Million euros		CET1 - ES0180907000	AT1 - EN0280907009	AT1 - EN0880907003	T2 - EN0280907017	T2 - ES0268675032
				Call option in case of a regulatory or tax event.		
16	Subsequent call dates, if applicable	n/a	n/a	18/05/2027 and on any interest payment date thereafter	n/a	n/a
	Coupons/dividends					
17	Fixed or floating dividend/coupon	Variable	Fixed	Fixed	Fixed	Fixed
18	Coupon rate and any related indexes	n/a	13.8824% p.a.	From 18/11/2021 to 18/05/2027: 4.875% p.a., payable quarterly. From 18/05/2027 MS 5 years + 5.02% (reviewable every 5 years, the resulting annual coupon is paid quarterly).	From 13/11/2019 to 13/11/2024: 2.875% p.a. From 13/11/2024: MS 5 years + 3.107 %	From 14/03/2017 to 14/03/2022: 6.875% p.a. From 14/03/2022 MS 5 years + 6.701%
19	Existence of a dividend stopper	n/a	No	No	No	No
EU-20a	Fully discretionary, partly discretionary or mandatory (in terms of timing)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
EU-20b	Fully discretionary, partly discretionary or mandatory (in terms of amount)	Fully discretionary	Fully discretionary	Fully discretionary	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No	No
22	Noncumulative or cumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative	Noncumulative
23	Convertible or non-convertible	Non-convertible	Convertible	Non-convertible	Non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	n/a	(i) Full mandatory early conversion. (ii) Contingency events (iii) Feasibility events Regulatory events	n/a	n/a	n/a
25	If t convertible, fully or partially	n/a	Fully or partially	n/a	n/a	n/a
26	If convertible, conversion rate	n/a	1.18827 per share	n/a	n/a	n/a
27	If convertible, mandatory or optional conversion	n/a	Mandatory	n/a	n/a	n/a
28	If convertible, specify instrument type convertible into	n/a	Newly issued ordinary shares (Ordinary Tier 1 Capital)	n/a	n/a	n/a

Million euros		CET1 - ES0180907000	AT1 - EN0280907009	AT1 - EN0880907003	T2 - EN0280907017	T2 - ES0268675032
29	If convertible, specify issuer of instrument it converts into	n/a	Unicaja Banco, S.A.	n/a	n/a	n/a
30	Write-down features	No	No	Yes	Yes	Yes
31	If write-down, write-down trigger (s)	n/a	n/a	In case of a trigger event: CET1 ratio of the Bank or the Group below 5.125%. In the event of a capital or tax event.	Tax or Capital Event	Tax or Capital Event
32	If write-down, full or partial	n/a	n/a	In full or partial. It will be partially written-down in case of trigger event and fully in a capital or tax event.	Always in full	Always in full
33	If write-down, permanent or temporary In case of depreciation, permanent or temporary	n/a	n/a	Temporary only in the case of trigger event. In the case of capital or tax event, it is permanent.	Permanent	Permanent
34	If temporary write-down, description of write-up mechanism	n/a	n/a	Based on the applicable banking regulations, if the Bank and the Group achieve a positive net result, as long as the outstanding amount of the preference securities is less than the amount initially issued (500 million €), the Bank may, at its sole discretion, increase the unit par value of the preference securities by that amount (i.e. it is being repaid out of the proceeds). This revaluation mechanism may be carried out one or more times, up to the amount initially issued.	n/a	n/a
EU-34a	Type of subordination (only for eligible liabilities).	n/a	Contractual	Contractual	Contractual	Contractual

Million euros		CET1 - ES0180907000	AT1 - EN0280907009	AT1 - EN0880907003	T2 - EN0280907017	T2 - ES0268675032
EU-34b	Ranking of the instrument in normal insolvency proceedings.	CET1	AT1	AT1	T2	T2
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	n/a	CET1	CET1	AT1	AT1
36	Non-compliant transitional features	No	No	No	No	No
37	If yes, specify non-compliant features	n/a	n/a	n/a	n/a	n/a
EU-37a	Link to the full terms and conditions of the instrument (hyperlink).	n/a	https://www.cnmv.es/portal/Consultas/Folletos/FolletosEmisionOPV.aspx?nif=A93139053	https://www.cnmv.es/portal/Consultas/Folletos/FolletosAdmision.aspx?nif=A93139053	https://www.cnmv.es/portal/Consultas/Folletos/FolletosAdmision.aspx?nif=A93139053	https://www.cnmv.es/Portal/Consultas/Folletos/FolletosAdmision.aspx?nif=A86201993

17. Annex II: Disclosure of liquidity requirements

17.1. Liquidity coverage ratio information

- **Explanations of the main drivers of the liquidity coverage ratio result and the evolution of the contribution of inputs to the LCR calculation over time:**

The LCR ratio of Unicaja Banco Group at December 2021 amounted to 307%, the average value of the last 12 months was 300%, a level that comfortably exceeds the internal regulatory requirements. The reasons for this level of the ratio are due, on the one hand, to the large size of the HQLA buffer in relation to net liquidity outflows, and on the other hand, to the Group's solid and stable retail deposit base, as well as the low dependence on short-term market funding.

- **Explanation of changes in the LCR over time:**

The evolution of Unicaja Banco Group's LCR ratio showed a stable trend over the last 12 months and remained at around 300%.

- **Explanations of the actual concentration of funding sources:**

Unicaja Banco Group's basic recurring source of funding is retail customer funds and, to a lesser extent, its Corporate Banking activities. However, the Entity also uses other wholesale market instruments, in accordance with the procedures, limits and policies previously defined by the Board of Directors to act in both normal and liquidity crisis situations.

- **Detailed description of the composition of the Entity's liquidity buffer:**

In December 2021, 99.92% of total Liquid Assets are tier 1 assets, with the central bank's available reserves accounting for 67%.

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

The Entity manages liquidity risk prudently by providing or receiving 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 liquidity coverage ratio**

Unicaja Banco has no significant currencies other than the euro basis currency.

- **Other elements for the calculation of the LCR that are not included in the LCR disclosure template for reporting the liquidity coverage ratio but that the institution considers relevant to its liquidity profile**

There are no other relevant LCR calculation elements that are not included in the LCR disclosure template.

Below is the value of Unicaja Banco Group's LCR ratio and its breakdown, both at 31 December 2021 and in its 3 previous quarters[12] :

[12] These values have been calculated as the simple averages of the month-end observations of the previous twelve months of each of the quarters presented. Also, the average values of the LCR ratio in the quarters of September and December 2021 reflect the effect of the merger with Liberbank.

Table 59 Quantitative information of LCR - EU LIQ1

Million euros and %		Total unweighted value (average)				Total weighted value (average)			
EU 1a	**Quarter ending on**	31/12/2021	30/09/2021	30/06/2021	31/03/2021	31/12/2021	30/09/2021	30/06/2021	31/03/2021
EU 1b	Number of data points used in the calculation of the averages	12	12	12	12	12	12	12	12
	High quality liquid assets								
1	**Total high quality liquid assets (HQLA)**					22,556	19,571	16,740	16,003
	Cash outflows								
2	**Retail deposits and deposits from small business customers, of which:**	**44,543**	**38,489**	**32,408**	**32,113**	**2,868**	**2,513**	**2,158**	**2,139**
3	*Stable deposits*	34,776	29,535	24,244	23,982	*1,739*	*1,477*	*1,212*	*1,199*
4	*Less stable deposits*	9,767	8,953	8,164	8,131	*1,129*	*1,036*	*946*	*940*
5	**Unsecured wholesale financing**	**12,377**	**10,237**	**8,271**	**7,846**	**4,027**	**3,394**	**2,813**	**2,691**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	7,709	6,303	5,033	4,732	*1,900*	*1,553*	*1,240*	*1,166*
7	*Non-operational deposits (all counterparties)*	4,604	3,873	3,180	3,037	*2,064*	*1,780*	*1,515*	*1,455*
8	*Unsecured debt*	*64*	*61*	*57*	*77*	*64*	*61*	*57*	*70*
9	**Secured wholesale funding**					**17**	**12**	**10**	**9**
10	**Additional requirements**	**4,294**	**3,588**	**2,919**	**2,740**	**1,269**	**1,123**	**903**	**757**
11	*Outflows related to derivative exposures and other collateral requirements*	981	885	687	553	*981*	*885*	*687*	*553*
12	*Outflows related to loss of funding on debt products*	-	-	-	-	-	-	-	-
13	*Credit and liquidity facilities*	3,313	2,703	2,232	2,186	*288*	*238*	*216*	*204*
14	**Other contractual funding obligations**	**52**	**45**	**37**	**36**	**-**	**-**	**-**	**-**
15	**Other contingent funding obligations**	**1,614**	**1,098**	**430**	**337**	**202**	**162**	**112**	**91**
16	**Total cash outflows**					8,382	7,204	5,995	5,686
	Cash inflows								
17	**Secured lending (e.g. reverse repos)**	**787**	**1,004**	**1,103**	**732**	**8**	**8**	**8**	**-**
18	**Inflows from fully performing exposures**	**1,572**	**1,290**	**1,048**	**970**	**756**	**626**	**525**	**544**
19	**Other cash inflows**	**54**	**44**	**41**	**86**	**54**	**44**	**41**	**41**
EU 19a	*(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)*					-	-	-	-
EU 19b	*(Excess inflows from a related specialised lending institution)*					-	-	-	-
20	**Total cash inflows**	2,413	2,339	2,192	1,787	818	678	573	583
EU 20a	*Fully exempt inflows*	**-**	-	-	-	**-**	-	-	-
EU-20b	*Inflows subject to 90 % cap*	-	-	-	-	-	-	-	-
EU 20c	*Inflows subject to 75 % cap*	*2,413*	*2,339*	*2,192*	*1,787*	*818*	*678*	*573*	*583*
	Total adjusted value								
EU 21	**Liquidity buffer**					22,556	19,571	16,740	16,003
22	**Total net cash outflows**					7,564	6,526	5,422	5,104
23	**Liquidity coverage ratio**					300%	303%	309%	315%

17.2. Net Stable Funding Ratio Information

Below is a breakdown of the items, as at 31 December 2021, that make up Unicaja Banco Group's NSFR ratio:

Table 60 Net Stable Funding Ratio - EU LIQ2

Million euros		Unweighted value by residual maturity				Weighted value
		No maturity	< 6 months	6 months to < 1 year	One year or more	
Available stable funding (ASF) items						
1	Capital items and instruments	**6,494**	**-**	**-**	**617**	**7,111**
2	*Own funds*	*6,494*	*-*	*-*	*617*	*7,111*
3	*Other capital instruments*		*-*	*-*	*-*	*-*
4	Retail deposits		**55,423**	**1,094**	**342**	**53,477**
5	*Stable deposits*		*44,699*	*697*	*209*	*43,335*
6	*Less stable deposits*		*10,724*	*397*	*133*	*10,142*
7	Wholesale financing:		**27,166**	**698**	**18,310**	**26,824**
8	*Operational deposits*		*10,261*	*-*	*-*	*5,130*
9	*Other wholesale funding*		*16,906*	*698*	*18,310*	*21,694*
10	Interdependent liabilities		**-**	**-**	**-**	**-**
11	Other liabilities:	**6**	**3,905**	**-**	**327**	**327**
12	*NSFR derivative liabilities*	6				
13	*All other liabilities and capital instruments not included in the above categories*		*3,905*	*-*	*327*	*327*
14	**Total available stable funding (ASF)**					**87,739**
Required stable funding (RSF) items						
15	Total high-quality liquid assets (HQLA)					**4,771**
EU-15a	Assets encumbered for more than 12m in cover pool		**-**	**-**	**2,622**	**2,229**
16	Deposits held at other financial institutions for operational purposes		**43**	**-**	**33**	**55**
17	Performing loans and securities:		**3,190**	**1,726**	**50,218**	**43,419**
18	*Performing securities financing transactions with financial customers collateralized by Level 1 HQLA subject to 0 % haircut*		*-*	*-*	*-*	*-*
19	*Performing securities financing transactions with financial customers collateralised by other assets and loans and advances to financial institutions*		*31*	*15*	*318*	*328*
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, and PSEs, of which:*		*2,302*	*1,021*	*25,104*	*23,903*
21	*With a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk*		*129*	*189*	*14,140*	*12,853*
22	*Performing residential mortgages, of which:*		*522*	*519*	*21,109*	*15,371*
23	*With a risk weight of less than or equal to 35 % under the Basel II Standardised Approach for credit risk*		*398*	*398*	*15,460*	*10,447*
24	*Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products*		*336*	*170*	*3,687*	*3,816*
25	Interdependent assets		**-**	**-**	**-**	**-**
26	Other assets		**1,431**	**22**	**10,728**	**10,763**
27	*Physically traded commodities*				*-*	*-*
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*		*-*	*-*	*437*	*371*
29	*NSFR derivative assets*		*-*			*-*
30	*NSFR derivative liabilities before deduction of variation margin posted*		*658*			*33*
31	*All other assets not included in the above categories*		*773*	*22*	*10,291*	*10,359*
32	Off-balance sheet items		**2,230**	**573**	**3,922**	**610**
33	**Total RSF**					**61,847**
34	**Net Stable Funding Ratio (%)**					**142**

At 31 December 2021 Unicaja Banco presents a NSFR ratio with a value of 142% which has decreased slightly at December 2020 the value amounted to 143%. The funding structure maintains a very significant percentage of stable retail deposits as this is the main source of activity and, to a much lesser extent, there are other

sources of medium and long-term funding consisting of collateralised financing from financial customers and central banks. In terms of required funds, the main source of funding is the loan portfolio followed by the portfolio of liquid assets, which, being lower than the available funding, means that the ratio comfortably exceeds the regulatory requirement of 100%. Furthermore, at 31 December 2021 the Entity has no interdependent assets and liabilities.

18. Annex III: Unicaja Banco Group companies with differences between the accounting and prudential consolidation methods and deducted from equity at 31 December 2021

Table 61- Outline of the differences in the scopes of consolidation (entity by entity) - EU LI3

Name of the entity	Method of accounting consolidation	Prudential consolidation method					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Alqlunia Duero, S.L.	Full			X	X		Real Estate Development
Análisis y Gestión de Innovación Tecnológica, S. L. Unipersonal	Full			X	X		Real Estate Business
Analistas Económicos de Andalucía S.L.U.	Full			X	X		Study and research of economic activity
Arco Explotaciones, S.L.U.	Full			X	X		Real Estate Development
Caja Castilla La Mancha Conecta, S.A. Combined administrative services	Full			X	X		Administrative Services
Camping Alto Gallego, S.L.U.	Full			X	X		Hospitality
Cánovas Explotaciones, S.L.U.	Full			X	X		Hospitality
CCM Vida y Pensiones de Seguros y Reaseguros, S.A.	Equity method			X		X	Insurance
Dolun Viviendas Sociales, S.L.	Equity method			X	X		Real Estate Development
Ercávica Desarrollos, S.L.U.	Full			X	X		Real Estate
Espacio Medina, S.L.	Equity method			X	X		Real Estate Development
Euro 6000, S.L.	Equity method			X		X	Activities auxiliary to financial services
Explotaciones Forestales y Cinegéticas Alta- Baja, S.A.	Full			X	X		Forestry and other forestry activities
Finca Las Huelgas, S. A. Sociedad Unipersonal	Full			X	X		Farming
Grafton Investments, S.L.U.	Full			X	X		Hospitality
Hoteles Layos, S.L.	Full			X	X		Hospitality
Instituto de Economía y Empresa, S.L.	Full			X	X		Other business support activities n.e.c.
Institute of Oncological and Molecular Medicine of Asturias, S.A.	Equity method			X	X		Medicine
Lares Val de Ebro, S.A.	Equity method			X	X		Real Estate Development

Name of the entity	Method of accounting consolidation	Prudential consolidation method					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
Inversiones Alaris, S.L.	Equity method			X		X	Holding of shares
Liberbank Ebusiness, S.L.	Full			X	X		IT Services
Liberbank Vida y Pensiones, Seguros y Reaseguros, S.A.	Equity method			X		X	Insurance
Lico Leasing, S.A.	Equity method			X		X	Financial leasing
Lisson Directorship, S.LU.	Full			X	X		Real Estate
Madrigal Participaciones, S.A.	Equity method		X				Investment in assets, transferable securities and financial companies
MasterCajas, S.A.	Equity method			X		X	Banking, Financial activities
Muelle Uno - Port of Málaga S.A.	Equity method			X	X		Real Estate Development
Parque Industrial Humilladero, S.L.	Full			X	X		Industrial Land Development
Polígono Romica, S.A.	Equity method			X	X		Property development
Pomarada Gestión, S.L.U.	Full			X	X		Consultancy
Promociones 2020 San Lázaro, S.L.	Equity method			X	X		Real Estate
Promociones Miralsur, S.L.	Full			X	X		Property development
Rochduero, S.L.	Equity method			X	X		Real Estate Development
Segóbriga Desarrollos, S.L.U.	Full			X	X		Real Estate
Sociedad de Gestion San Carlos, S.A.	Equity method			X	X		Real Estate Development
Unicorp Vida, Insurance and Reinsurance Company, S.A.	Equity method			X		X	Insurance
Union del Duero Compañía de Seguros de Vida, S.A.	Full			X		X	Life insurance
Uniwindet, S.L.	Full			X	X		Renewable energies
Urbe Cantabria, S.L.	Full			X	X		Real Estate
Viacava - Incós de Energía, S.A. Sociedad Unipersonal	Full			X	X		Hospitality
Viproelco	Full			X	X		Real Estate Development

19. Annex IV: Template for reporting transitional own funds

Table 62 Composition of regulatory own funds - EU CC1

Million euros		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,873	(21) (22)
2	Retained earnings	2,854	(25)
3	Accumulated other comprehensive income (and other reserves)	-58	(27) (30)
EU-3a	Funds for general banking risks.	-	
4	Amount of qualifying items referred to in Article 484(3) CRR and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5 a	Independently reviewed interim profits, net of any foreseeable charge or dividends.	1,038	(29)
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	5,707	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount).	-3	
8	Intangible assets (net of related tax liability) (negative amount).	-62	a) minus d)
9	Not applicable.	-	
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) CRR are met) (negative amount).	-970	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	305	
12	Negative amounts resulting from the calculation of expected loss amounts	-10	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefitt pension fund assets (negative amount).	-45	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-3	
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)	-	
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	
20	Not applicable.	-	
EU-20a	Exposure amount of the following items, which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
EU-20b	*Of which: qualifying holdings outside the financial sector (negative amount)*	-	
EU-20c	*Of which: securitisation positions (negative amount)*	-	
EU-20d	*Of which: free deliveries (negative amount)*	-	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability where the conditions in Article 38(3) of the CRR are met) (negative amount)	-269	
22	Amount exceeding the 17.65% threshold (negative amount)	-257	
23	Of which: 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	-119	
24	Not applicable.	-	
25	*Of which: deferred tax assets arising from temporary differences*	*-138*	
EU-25 a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount).	-	
26	Not applicable	-	

Million euros		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
27	Qualifying AT1 deductions that exceed the AT1 items of the institution (negative amount).	-	
27a	Other regulatory adjustments[13] .	411	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-905	
29	Common Equity Tier 1 (CET1) capital	4,802	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	547	(23)
31	*Of which: classified as equity under applicable accounting standards*	-	
32	*Of which: classified as liabilities under applicable accounting rules standards*	-	
33	Amount of qualifying items referred to in Article 484(4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interests not included in row 5) issued by subsidiaries and held by third parties.	-	
35	*Of which: instruments issued by subsidiaries subject to phase out.*	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	547	
Additional Tier 1 (AT1) capital: regulatory adjustments			
	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
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).	-	
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 10 % threshold and net of eligible short positions) (negative amount).	-	
40	Direct, indirect, and 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).	-	
41	Not applicable.	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital	-	
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	547	
45	Tier 1 capital (T1 = CET1 + AT1)	5,349	
Tier 2 (T2) capital: instruments			
46	Equity instruments and related share premium accounts	600	(15.1)
47	Amount of qualifying items referred to in Article 484(5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a(2) CRR subject to phase out from T2	-	
EU-47b	Amount of qualifying items referred to in Article 494b(2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	*Of which: instruments issued by subsidiaries subject to phase out*	-	
50	Credit risk adjustments	*17*	
51	Tier 2 (T2) capital before regulatory adjustments	617	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in	-	

[13] Includes IFRS9 phase-in adjustment.

Million euros		Amounts	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)		
EU-54a	Not applicable	-	
55	Direct, indirect and synthetic 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)	-31	
56	Not applicable	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 capital	-31	
58	Tier 2 capital	586	
59	Total capital (Total capital = T1 + T2)	5,936	
60	Total Risk exposure amount	35,291	
Ratios and capital requirements, including buffers			
	Common Equity Tier 1 (%)	14	
62	Tier 1 capital (%)	15	
63	Total capital (%)	17	
64	Institution's CET1 overall capital requirement. (%)	7.98	
65	Of which: capital conservation buffer requirement (%)	2.5	
66	Of which: countercyclical capital buffer requirement (%)	-	
67	Of which: systemic risk buffer requirement (%)	-	
EU-67a	Of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SIIs) buffer	-	
EU-67b	Of which: additional own funds requirements to address risks other than the risk of excessive leverage (%).	0.98	
68	Common Equity Tier 1 (as a percentage of the risk exposure amount) available after meeting minimum capital requirements (%)	8.1	
69	Not applicable	-	
70	Not applicable	-	
71	Not applicable	-	
Amounts below the thresholds for deduction (before risk weighting)			
	Direct and indirect holdings of own funds and eligible liabilities 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)	157	
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 17.65 % threshold and net of eligible short positions).	305	
74	Not applicable.	-	
75	Deferred tax assets arising from temporary differences (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38(3) of the CRR are met)	372	
Applicable caps on the inclusion of provisions in Tier 2			
	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	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	26	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	17	
Capital instruments subject to phase-out arrangements (only applicable between 1 January 2014 and 1 January 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	G
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities).	-	

20. Annex V: Template for comparison of own funds and leverage capital ratios for institutions with and without application of the transitional arrangements of IFRS9 or similar ECLs

Table 63 Transitional application of IFRS 9[14]

	Template on the comparison of institutions' own funds and leverage capital ratios with and without application of the transitional arrangements of IFRS 9 or similar ECLs					
	Million euros and %	31/12/2021	30/09/2021[15]	30/06/2021	31/03/2021	31/12/2020
1	Common Equity Tier 1 (CET1) capital	4,802	5,316	3,649	3,648	3,740
2	Common Equity Tier 1 (CET1) capital as if IFRS9 or analogous ECLs arrangements had not been applied	4,562	5,015	3,511	3,506	3,580
3	Tier 1 (T1) capital	5,349	5,363	3,696	3,696	3,787
4	Tier 1 (T1) capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	5,109	5,062	3,558	3,553	3,628
5	Total capital	5,936	5,935	3,996	3,996	4,087
6	Total capital as if IFRS9 or analogous ECLs transitional arrangements had not been applied	5,713	5,654	3,858	3,853	3,928
7	Total risk-weighted assets	35,291	35,699	19,040	22,145	22,492
8	Total risk-weighted assets as if IFRS9 or analogous ECLs transitional arrangements had not been applied	35,127	35,512	18,910	22,013	22,347
9	Common Equity Tier 1 (CET1) (as a percentage of risk exposure amount)	13.61%	14.89%	19.16%	16.47%	16.63%
10	Common Equity Tier 1 (CET1) (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	12.99%	14.12%	18.57%	15.93%	16.02%
11	Tier 1 (T1) (as a percentage of risk exposure amount)	15.16%	15.02%	19.41%	16.69%	16.84%
12	Tier 1 (T1) (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	14.54%	14.25%	18.82%	16.14%	16.23%
13	Total capital (as a percentage of risk exposure amount)	16.82%	16.62%	20.99%	18.04%	18.17%
14	Total capital (as a percentage of risk exposure amount) as if IFRS9 or analogous ECLs transitional arrangements had not been applied	16.26%	15.92%	20.40%	17.50%	17.58%
15	Leverage ratio total exposure measure	98,293	105,460	61,143	61,757	62,108
16	Leverage ratio	5.44%	5.09%	6.04%	5.98%	6.10%
17	Leverage ratio as if IFRS9 or analogous ECLs transitional arrangements had not been applied[16]	5.20%	4.80%	5.82%	5.75%	5.84%

[14] The Entity has not applied the temporary treatment of unrealized gains and losses measured at fair value through other comprehensive income on sovereign exposures introduced by Regulation (EU) 2020/073.

[15] From September 2021 onwards, the data include the impact of the merger with Liberbank, and values prior to that date are not restated.

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

21. Annex VI: Map of CRR Articles and Disclosure Guidelines

Table 64 CRR Article Map and Disclosure Guidelines

Implementing Regulation (EU) 2021/637			
CRR Article	**Pillar III Disclosure 2021 Paragraph**	**Pillar III Disclosure 2021 Table**	**Implementing Regulation (EU) 2021/637 Template**
Article 431 - Disclosure requirements and policies			
431.1	Paragraph 1.4	-	-
431.2	Paragraph 1.4	-	-
431.3	Paragraph 1.4	-	-
431.4	N/A	-	-
431.5	N/A	-	-
Article 432 - Non-material, proprietary or confidential information			
432.1	Paragraph 1.4	-	-
432.2	Paragraph 1.4	-	-
Article 433 - Frequency and scope of disclosure			
433	Paragraph 1.4	-	-
Article 433a - Disclosure of information by large entities			
433a.bis.1	Paragraph 1.4	-	-
433.bis.2	Paragraph 1.4	-	-
Article 433b - Disclosure of information by small and non-complex entities			
433.ter.1	N/A	-	-
433.ter.2	N/A	-	-
Article 433c - Disclosure of information by other entities			
433.quater.1	N/A	-	-
Article 434 - Means of disclosure information			
434.1	Paragraph 1.4	-	-
434.2	Paragraph 1.4	-	-
Article 434 - Uniform Disclosure Formats			
434a.	Paragraph 1.4	-	-
Article 435 - Disclosure of risk management objectives and policies			
435.1	Paragraph 4	-	EU OVA
		-	EU CRA
		-	EU ORA
		-	EU MRA
		-	EU LIQA
435.2	Paragraph 3.1	-	EU OVB
	Paragraph 3.2		
Article 436 - Scope of application			
436	Paragraph 3.3	Table 3	EU LI1
		Table 4	EU LI2
	Paragraph 18	Table 61	EU LI3
	Paragraph 3.3	-	EU LIA
		-	EU LIB
Article 437 - Disclosure of own funds information			
437	Paragraph 19	Table 62	EU CC1
	Paragraph 3.3.	Table 2	EU CC2
	Paragraph 5.1	-	-
Article 437a - Disclosure of information on own funds and eligible liabilities			
437.bis	Paragraph 16	Table 58	EU CCA
Article 438 - Disclosure of information on own funds requirements and risk-weighted exposure amounts			
438	Paragraph 6.1	Table 9	EU OV1
	Paragraph 6.2	-	EU OVC
Article 439 - Disclosure of exposure to counterparty credit risk			
439	Paragraph 7.2.1	-	EU CCRA
	Paragraph 7.2.2	Table 21	EU CCR1

Implementing Regulation (EU) 2021/637			
CRR Article	**Pillar III Disclosure 2021 Paragraph**	**Pillar III Disclosure 2021 Table**	**Implementing Regulation (EU) 2021/637 Template**
		Table 22	EU CCR3
		Table 23	EU CCR5
		Table 24	EU CCR8
	Paragraph 7.2.3	Table 25	EU CCR2
Article 440 - Disclosure of information on countercyclical capital buffers			
440	Section 5.2.2	Table 7	EU CCyB2
		Table 8	EU CCyB1
Article 441 - Disclosure of information on indicators of global systemic importance			
441	N/A	-	-
Article 442 - Disclosure of information on credit risk and dilution risk exposures			
442	Paragraph 7.1.1	-	EU CRB
	Paragraph 7.1.2	Table 10	EU CR1
		Table 11	EU CQ3
		Table 12	EU CR1-A
	Paragraph 7.1.3	Table 13	EU CQ4
		Table 14	EU CQ5
	Paragraph 7.1.4	Table 15	EU CQ1
	Paragraph 7.1.5	Table 16	EU CR2
		Table 17	EU CQ7
Article 443 - Disclosure of information on encumbered and unencumbered assets			
443	Paragraph 14	Table 51	EU SA1
		Table 52	EU SA2
		Table 53	EU SA3
		-	EU SA4
Article 444 - Disclosure of information on the use of the standardised approach			
444	Section 7.3.1	-	EU CRD
	Paragraph 7.3.2		
	Paragraph 7.3.3	Table 26	EU CR4
		Table 27	EU CR5
Article 445 - Disclosure of information on market risk exposures			
445	Paragraph 10	-	EU MRA
Article 446 - Operational risk			
446	Paragraph 11	-	EU ORA
		Table 45	EU OR1
Article 447 - Disclosure of information on key indicators			
447	Paragraph 2	Table 1	EU KM1
Article 448 - Disclosure of information on exposures to Interest Rate Risk on Positions not Held in the Trading Book - *Implementing Technical Standards on Disclosure on Information on Exposures to Interest Rate Risk on Position not Held in the Trading* Book			
448.1	Paragraph 12	Table 46	EU IRRBB1
448.2		-	EU IRRBA
Article 449 - Disclosure of information on exposures to securitisation positions			
449	Paragraph 8.1	-	EU SECA
	Paragraph 8.2	Table 39	EU SEC1
		Table 40	EU SEC3
		Table 41	EU SEC4
Article 449a - Disclosure of information on environmental, social and governance risks (ESG risks)			
449.bis	Paragraph 4.11	-	-
Article 450 - Disclosure of information on remuneration policy			
450.1	Paragraph 15 (1-6)	-	EU REMA
450.2	Paragraph 15.7	Table 55	EU REM1
		Table 56	EU REM2
		Table 57	EU REM5
Article 451 - Disclosure of information on the leverage ratio			
451.1	Paragraph 13	Table 47	EU LRA

Implementing Regulation (EU) 2021/637			
CRR Article	**Pillar III Disclosure 2021 Paragraph**	**Pillar III Disclosure 2021 Table**	**Implementing Regulation (EU) 2021/637 Template**
		Table 48	EU LR2 - LRCom
		Table 49	EU LR3 - LRSpl
		Table 50	EU LR1 - LRSum
451.2	Paragraph 13	Table 48	EU LR2 - LRCom
451.3	Paragraph 13	Table 48	EU LR2 - LRCom
Article 451a - Disclosure of liquidity requirements			
451.bis.1	Paragraph 4.10Annex II	-	EU LIQA
		Table 59	EU LIQ1
		-	EU LIQB
		Table 60	EU LIQ2
451.bis.2	Annex II	-	EU LIQB
		Table 59	EU LIQ1
451.bis.3	Annex II	Table 60	EU LIQ2
451.bis.4	Paragraph 4.10	-	EU LIQA
Article 452 - Disclosure of information on the application of the IRB Approach to credit risk			
452	Paragraph 7.4	-	EU CRE
		Table 28	EU CR6-A
		Table 29	EU CR6 (1)
		Table 30	EU CR6 (2)
		Table 31	EU CR6 (3)
		Table 32	EU CR6 (4)
		Table 33	EU CR8
		Table 34	EU CR9 (1)
		Table 35	EU CR9 (2)
		Table 36	EU CR9 (3)
		Table 37	EU CR9 (4)
	Paragraph 7.5	Table 38	EU CR10.5
Article 453 - Disclosure of information on the use of credit risk mitigation techniques			
453	Paragraph 9.2	-	EU CRC
		Table 42	EU CR3
		Table 43	EU CR7
		Table 44	EU CR7-A
Article 454 - Disclosure of information on the application of advanced approaches to operational risk			
454	Paragraph 11	Table 45	EU OR1
Article 455 - Application of internal models to market risk			
455	N/A	-	-

Guidelines on the disclosures under Article 473A of Regulation (EU) 272/2013 on the transitional period for mitigating the impact of IFRS 9 on own funds - EBA/GL/2018/01			
EBA/GL/2018/01	Annex V	Table 63	-

Guidelines on reporting and disclosure of COVID-19 Measures - EBA/GL/2020/07			
EBA/GL/2020/07	Paragraph 7.1.6	Table 18	Template 1
		Table 19	Template 2
		Table 20	Template 3

(1) Templates EU INS1, EU INS2, EU PV1, EU CQ2, EU CQ6, EU CQ8, EU CR2a, EU CR9.1, EU CR10.1, EU CR10.2, EU CR10.3, EU CR10.4, EU CCR4, EU CCR6, EU CCR7, EU SEC2, EU SEC5, EU MRB, EU MR1, EU MR2-A, EU MR2-B, EU MR3, EU MR4, EU REM3 and EU REM4, are not disclosed as they do not apply or do not contain values in them.