UNICAJA BANCO, S.A. AND SUBSIDIARIES (UNICAJA BANCO GROUP)

CONSOLIDATED INTERIM MANAGEMENT REPORT FOR THE SIX-MONTH PERIOD ENDED JUNE 30, 2023

1. Introduction

This Management Report presents the data and facts which are relevant at the end of the first half of 2023 so that the situation of the Unicaja Banco Group (hereinafter, the Unicaja Banco Group, or the Group) and the evolution of its business may be ascertained. The interim consolidated financial statements for the first half of 2023, which this Management Report supplements, have been prepared according to the International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and take into consideration the Bank of Spain's Circular 4/2017 of November 27 and its subsequent amendments.

Unicaja Banco, S.A. (hereinafter, Unicaja Banco, the Parent Company, or the Bank) is a credit institution incorporated in Spain for an indefinite period of time on December 1, 2011. The start of its activity has its origin in the indirect performance, through a bank, of the financial activity of the Monte de Piedad y Caja de Ahorros de Ronda, Cádiz, Almería, Málaga, Antequera and Jaén savings bank and pawnbroker, i.e. Unicaja (currently, the Unicaja Bank Foundation), as a result of the entry into force of Law 26/2013, of December 27. Likewise, the merger by absorption of Liberbank S.A. (as absorbed entity) by Unicaja Banco, S.A. (as absorbing entity) took place on July 31, 2021.

The Bank is an entity subject to the rules and regulations on banking entities operating in Spain. Other public information about the Bank is available both on its corporate website (www.unicajabanco.com) and at its registered office (Avenida de Andalucía, 10 y 12, Málaga).

The Bank's object is to carry out all kinds of activities, operations, acts, contracts and services typical of the banking business in general or which are directly or indirectly related or supplementary thereto or are carried out by it, provided that their performance is permitted or not forbidden by current legislation.

The Bank's object includes the provision of investment services and other auxiliary services, as well as the performance of activities typical of insurance agents, as an exclusive or linked operator, the simultaneous exercise of both not being admissible.

In accordance with its Bylaws, such activities, which meet the requirements of Law 10/2014, of June 26, on the regulation, supervision and solvency of credit institutions, and which comprise its object, may be carried out in part of in full, indirectly, in any of the forms permitted by law and, in particular, through the ownership of shares or equity interests in companies or through participation in other entities whose object is identical, similar or supplementary to its activities.

The Bank is registered in the Mercantile Registry of Málaga and, as a credit institution, in the Special Registry of the Bank of Spain under number 2103. In addition, the Bank holds a license for the exercise of banking activity granted by the Ministry of Economy and Finance, in accordance with the provisions of Article 1 and concordant provisions of Royal Decree 1245/1995, a regulation that was replaced by the current Royal Decree 84/2015, of February 13, implementing Law 10/2014, of June 26, on the regulation, supervision, and solvency of credit institutions.

Unicaja Banco, S.A. is the parent company of a group of subsidiaries engaged in various activities and which make up the Unicaja Banco Group.

Balance Sheet and Turnover	Millions of Euros		Annual Var.	
	Jun-23	Dec-22	Millions of Euros	%
Total assets[1]	97,259	98,987	(1,728)	(1.7%)
Performing loans and advances to customers (Gross amount) [2]	51,231	52,953	(1,722)	(3.3%)
Deposits– customers[3]	67,629	69,813	(2,184)	(3.1%)
Off-balance sheet funds raised	21,004	20,248	756	3.7%
Managed resources[4]	99,192	98,178	1,014	1.0%
Of which: customers (not market)[5]	*88,662*	*90,082*	*(1,419)*	*(1.6%)*

(1) Source: Consolidated Public Balance Sheet.
(2) Source: Loans and advances to customers of the Consolidated Public Balance Sheet, without valuation adjustments, active money market operations carried out through counterparties and other financial assets of other resident sectors.
(3) Source: Customer deposits from the Consolidated Public Balance Sheet, without valuation adjustments and mortgage bonds counted as deposits.
(4) Source: Customer deposits from the Consolidated Public Balance Sheet, plus debt securities issued, without valuation adjustments in both cases, plus off-balance sheet funds.
(5) Source: Customer deposits from the Consolidated Public Balance Sheet, excluding mortgage bonds counted as deposits and money market deposits made through counterparties, without valuation adjustments, plus off-balance sheet funds.

Profit or (Loss)	Millions of Euros		Annual Year-on-year[6]	
	Jun-23	Jun-22	Millions of Euros	%
Net interest margin	615.7	509.2	106.4	20.9%
Gross margin[6]	830.7	832.5	62.0	7.5%
Operating margin *(before write-downs)*[6]	402.1	396.4	69.5	17.6%
Write-downs and other results	179.5	163.6	15.9	9.7%
Income before taxes[6]	222.6	232.8	53.6	23.0%
Consolidated income for the year[6]	148.1	170.2	41.6	24.5%
Profit/(loss) ascribed to the parent company[6]	148.2	170.3	41.7	24.5%

(6) The calculation of the year-on-year change excludes the impact of the temporary bank levy, which amounts to 63.8 million Euros in 2023.

Profitability and Efficiency	%		Annual Year-on-year[6]	
	Jun-23	Jun-22	Millions of Euros	%
ROE (Net Income/Common Shareholders' Equity)[6]	6.6%	5.3%	N/A	1.3 pp
ROTE (Net Income/Tangible Common Shareholders' Equity)[6]	7.0%	5.6%	N/A	1.4 pp
ROA (Net Income/Total Assets)[6]	0.4%	0.3%	N/A	0.1 pp
RORWA (Net Income/Average Risk Weighted Assets)[6]	1.3%	1.0%	N/A	0.4 pp
Efficiency Ratio (Operating Expenses with Amortization/Gross Margin)[6]	47.9%	52.4%	N/A	(4.5 pp)

(6) The calculation of the year-on-year change excludes the impact of the temporary bank levy, which amounts to 63.8 million Euros in 2023.

	Millions of Euros or %		Annual Var.	
Solvency	**Jun-23**	**Dec-22**	**Millions of Euros**	**% ppt**
Net equity	6,480	6,477	3	0.0%
Total capital	5,667	5,818	-151	(2.6%)
Common Equity Tier 1 (CET1) capital	4,501	4,659	-158	(3.4%)
Additional Tier 1 capital	547	547	0	0.0%
Tier 2 capital	618	612	7	1.1%
Average Risk Weighted Assets	31,916	34,133	-2,217	(6.5%)
Total capital ratio	17.8%	17.0%	N/A	0.7 pp
CET1 ratio	14.1%	13.7%	N/A	0.5 pp
Fully-loaded CET1 ratio	13.8%	13.0%	N/A	0.8 pp

	Millions of Euros or %		Annual Var.	
Risk Control	**Jun-23**	**Dec-22**	**Millions of Euros**	**% ppt**
Non-performing	1,921	1,938	(17)	(0.9%)
NPL ratio	3.6%	3.5%	N/A	0.1 pp
Non-performing loan coverage ratio	65.8%	66.5%	N/A	(0.7 pp)
Cost of credit risk	0.28%	0.39%	N/A	(0.1 pp)
Cost of recurring credit risk	0.28%	0.24%	N/A	0.0 pp
Foreclosed real estate available for sale (gross)	1,698	1,833	(135)	(7.4%)
Foreclosed real estate asset coverage ratio	64.9%	64.1%	N/A	0.8 pp

	Millions of Euros or %		Annual Var.	
Liquidity	**Jun-23**	**Dec-22**	**Millions of Euros**	**% ppt**
Gross liquid assets	31,770	31,921	-151	-0.5%
Net liquid assets	24,241	23,516	724	3.1%
Net Liquid Assets/Total Assets	24.9%	23.8%	N/A	1.2 pp
LTD ratio	78.6%	78.6%	N/A	0.0 pp
Liquidity coverage ratio (LCR)	284%	284%	N/A	(0.3 pp)
Net stable funding ratio (NSFR)	143%	143%	N/A	0.5 pp

	Units		Annual Var.	
Additional information	**Jun-23**	**Dec-22**	**Number**	**%**
Branches in Spain	958	968	(10)	(1.0%)
Automatic teller machines	2,450	2,469	(19)	(0.8%)
Average employees	7,761	8,416	(655)	(7.8%)

Credit Rating		**Jun-23**
Fitch	Short term	F3
	Long term	BBB-
	Perspective	Stable
	Senior preferred debt	BBB-
	Senior non-preferred debt	BB+
	Subordinated debt (Tier2)	BB
	Contingent convertible bonds (AT1)	B+
Moody's	Long-term deposits	Baa3
	Short term	Prime-3
	Perspective	Stable
	Mortgage-backed securities	Aa1
	Subordinated debt (Tier2)	Ba3

2. Economic and Financial Scenario

The world economy has performed better than expected during the first half of the year. Global production chains have stabilized and aggregate demand has remained strong, driven by buoyant employment, fiscal support measures for households and price moderation.

In June, economic growth forecasts were revised slightly upward. The OECD forecasts that global GDP will increase by 2.7% in 2023 and 2.9% in 2024. For its part, the World Bank forecasts an increase in production of 2.1% for 2023 and 2.4% for 2024.

In the Eurozone, in Q1 2023 the GDP remained unchanged compared to Q4 2022. The significant tightening of monetary conditions in response to continued inflationary pressures has put downward pressure on economic activity. The latest forecasts made by the European Central Bank (ECB) point to a 0.9% growth rate for 2023. Progress could be more robust in 2024, where it could reach 1.5%.

Although it continues its downward trend, inflation stood at 5.5% in June. This performance has not been passed on to core inflation, which continues to show downward resistance and increased this month by two tenths of a percentage point to 5.5%. Despite its moderation, inflation is expected to remain high for a long period of time, thus increasing the likelihood of second-round effects both through wages and margins.

This has led the ECB to continue raising official interest rates. At its last meeting, held on June 15, the ECB raised rates by 25 b.p., for a cumulative increase of 400 b.p. since July 2022, bringing the intervention rate to 4.0%, while the marginal lending and deposit rates were set at 4.25% and 3.50% respectively. The rate hike has been accompanied by the end, as of July, of the reinvestment of maturing securities of the Asset Purchase Program (APP), with a consequent reduction in the size of the Eurosystem's balance sheet. At the Central Bank Forum recently held in Sintra, Portugal, the ECB confirmed that in order to avoid an inflationary spiral fueled by a de-anchoring of expectations, it will continue with the tightening cycle, raising interest rates to the required levels and maintaining them for as long as necessary to achieve the target.

These decisions on interest rates, together with the existing expectations on their evolution, have resulted in an increase in interbank rates. In June, the 12-month Euribor stood at 4.0%, more than 1 pp above the levels in early November 2022. On the other hand, the yield on high-quality government bonds has been highly volatile in their long-term tranches.

Situation of the Spanish economy

The Spanish economy has been growing faster than expected. Data for the first quarter point to a quarter-on-quarter GDP increase of 0.6%, 0.2 pp higher than in the previous quarter. On a year-on-year basis, the increase was 4.2%, compared to 3.1% in the last quarter of 2022. The engines driving growth are exports, due to the recovery of tourism activity, foreign demand for non-tourism services, and investment in both equipment and construction.

Although this dynamism has continued in the second quarter, the performance of certain indicators, such as those related to the labor market, anticipate a moderation of activity in the final stretch. In June, Social Security enrollment increased at a slower pace than what it usually does this same month of the year. There was a 0.2% drop, seasonally adjusted, the first since July 2022.

The Bank of Spain's recent projections foresee GDP growth of 2.3% for 2023, supported by a dynamic labor market, the start of a growing volume of investment projects under the Next Generation EU Program and the easing of inflationary pressures. Growth has been revised slightly upward for 2024 to 2.2%, while remaining at 2.1% for 2025.

On the other hand, inflation is still on its path of moderation. In June it stood at 1.9%, 1.7 pp lower than in the previous month. Core inflation also decreased slightly to 5.9%. The Bank of Spain's estimates suggest that inflation would average 3.2% in 2023, rising to 3.6% for 2024 as a whole if the measures taken to combat the effects of inflation are removed, and dropping to 1.8% in 2025.

The real estate market has shown notable signs of declining activity, as it is affected by both supply and demand factors. On the supply side, new housing construction remains low. On the demand side, the main limiting factor is the gradual increase in the cost of financing. In April, home sales and purchases fell by 22.1% compared to the previous month and by 8.1% in year-on-year terms. New mortgages in April showed a 18.3% year-on-year decrease.

Financial sector

The slowdown in activity and the reduction in demand for credit has been reflected in the financing granted by credit institutions. In May it fell in year-on-year terms by 1.4% for households and by 2.7% for companies. This decrease was due to both the lower amount for which new loans were granted and an increase in repayments. In the case of companies, it reflects—at least partially—the progressive reduction of the extraordinary indebtedness they assumed during the pandemic.

The increase in official interest rates is being reflected both in the rates of new credit operations and in the average rates of credit portfolios. In the case of the latter, between December 2021 and May 2023 the change was 42% in the case of home purchase loans and 27% for consumer loans. In the case of credit to non-financial companies, this effect is quantified at 42%.

On the other hand, the volume of nonperforming loans continued to decline. In April, the NPL ratio stood at 3.6%, the lowest level since 2008.

3. Milestones in in the first half of the year 2023

Savings insurance and time deposits drive growth of more stable funds

In a macroeconomic context that is not very favorable for savings, with volatility in the financial markets and high inflation, *Managed funds* increased 1.0% in the first half of the year.

Customer deposits (74,249 million Euros) make up the bulk of customer funds collected and include deposits from public administrations and private sectors. Private sector deposits include retail savings products (demand and time deposits) and wholesale products (repos and mortgage-backed securities accounted for as deposits).

Retail customer funds totaled 88,662 million Euros, down 1.6% over the year, although the decline was concentrated in the Public Administrations segment (-19.1%) and in large-value tickets. Private-sector funds, however, grew by 1.6% and, excluding the transfer to value assets—mainly Treasury bills (which are not counted among off-balance-sheet funds)—increased +2.7% over the year.

The funds managed through off-balance sheet instruments and savings insurance accounted for 21,004 million Euros, the main product being mutual funds (11,360 million Euros), followed by savings insurance (4,742 million Euros), pension funds (3,719 million Euros) and other managed assets (1,183 million Euros). Savings insurance is the star product so far this year, with 11.1% growth, supported by unit-linked products aimed at customers with a conservative investment profile.

Funds Managed *Figures in millions of Euros without valuation adjustments*	**Jun-23**	**Compos.**	**Dec-22**	**Annual Var.**	**% Var. Var.**
Balance sheet funds	**78,188**	**78.8%**	**77,930**	**258**	**0.3%**
Customer deposits	**74,249**	**74.9%**	**74,487**	**(238)**	**(0.3%)**
Public Administration Bodies	**5,572**	**5.6%**	**6,889**	**(1,317)**	**(19.1%)**
Private sector	**68,676**	**69.2%**	**67,598**	**1,078**	**1.6%**
Demand deposits	54,141	54.6%	57,049	(2,908)	(5.1%)
Term deposits	12,570	12.7%	10,529	2,041	19.4%
Temporary assignment of assets	1,965	2.0%	20	1,945	
Issuances	**3,939**	**4.0%**	**3,443**	**496**	**14.4%**
Mortgage bonds	1,185	1.2%	1,185	0	0.0%
Other values	2,155	2.2%	1,659	496	30.0%
Subordinated liabilities	599	0.6%	599	0	0.0%
Off-balance sheet funds	**21,004**	**21.2%**	**20,248**	**756**	**3.7%**
TOTAL FUNDS MANAGED	**99,192**	**100.0%**	**98,178**	**1,014**	**1.0%**
Of which:					
Customer funds managed (retail)	**88,662**	**89.4%**	**90,082**	**(1,420)**	**(1.6%)**
On-balance sheet	*67,658*	*68.2%*	*69,833*	*(2,175)*	*(3.1%)*
Off-balance sheet	*21,004*	*21.2%*	*20,249*	*755*	*3.7%*
Markets	**10,530**	**10.6%**	**8,096**	**2,434**	**30.0%**

The demand for credit to individuals is slowing down in the new interest rate scenario. Deleveraging in companies

Performing loans (excluding reverse repurchase agreements) increased by 3.2% during the year. Lending to companies fell by 10.0% and to public administrations by 12.1%, while lending to individuals grew seasonally by 0.7% due to the double pension payment made in June. The deleveraging of companies causes an improvement in solvency ratios of around 40 basis points.

The risk profile of the portfolio remains low, with a high weight of mortgages to individuals (61%) and loans to public administrations (10%). The corporate risk portfolio is highly diversified by business sector.

Loans and Advances to Customers *Figures in millions of Euros without valuation adjustments*	**Jun-23**	**Compos.**	**Dec-22**	**Annual Var.**	**% Var. Var.**
PERFORMING CREDIT	**52,066**	**100.0%**	**53,788**	**(1,722)**	**(3.2%)**
1. Credit to public administration bodies	**5,072**	**9.7%**	**5,767**	**(695)**	**(12.1%)**
2. Credit to the private sector	**46,159**	**88.7%**	**47,186**	**(1,027)**	**(2.2%)**
Companies	**11,424**	**21.9%**	**12,695**	**(1,271)**	**(10.0%)**
Real estate development and construction	544	1.0%	663	(119)	(17.8%)
SMEs and self-employed workers	5,413	10.4%	6,233	(820)	(13.2%)
Other companies	5,467	10.5%	5,799	(332)	(5.7%)
Individuals	**34,735**	**66.7%**	**34,491**	**243**	**0.7%**
Housing	31,068	59.7%	31,617	(550)	(1.7%)
Others	3,667	7.0%	2,874	793	27.6%
3. Temporary assignments of assets (TAAs)	**835**	**1.6%**	**835**	**0**	**0.0%**
PERFORMING CREDIT without TAAs	**51,231**	**98.4%**	**52,953**	**(1,722)**	**(3.3%)**
Pro memoria:					
TOTAL CREDIT	**53,151**		**54,891**	**(1,740)**	**(3.2%)**

In the first half of the year, 3,847 million Euros in new loans and credits were granted, including 1,448 million Euros in mortgages to individuals. The market share in mortgage formalizations amounts to 7.3% of the national total (source: General Council of Notaries, with data as of May 2023, accumulated over the last 12 months).

Improved balance sheet quality and high coverage

The Group has continued reducing its doubtful assets, bringing the balance of doubtful assets to 1,921 million Euros at the end of the first half of 2023, down 0.9% on the previous year (17 million Euros drop), its having maintained a conservative and prudent approach to management (more than half of the entries in doubtful assets for the year are subjective markings, representing 34% of the doubtful portfolio). The default rate has grown 0.12 pp compared to the same period of the previous year due to the contracting of the performing portfolio, standing at 3.6%. The NPL coverage ratio has increased by 0.90 pp year-on-year to 65.8%.

ICO guarantees cover 14% of the corporate portfolio, 85% of which are classified as performing loans.

Credit Investment *Figures in millions of Euros*	**Gross Value**	**Value Adjustments**	**Carrying Amount**	**Coverage (%)**
Stage 1	47,756	191	47,565	0.4%
Stage 2	3,474	216	3,258	6.2%
Stage 3	1,921	857	1,064	44.6%
TOTAL Credit investment	**53,151**	**1,264**	**51,887**	**65.8%**

Risks under special monitoring (stage 2) came to 3,474 million Euros, i.e. 6.5% of the gross loan portfolio, and have 6.2% coverages.

Foreclosed assets available for sale saw an annual decrease of 7.4% in gross terms and amounted to 596 million Euros in net book value, which represents 0.6% of the balance sheet.

Provisions on foreclosed assets amounted to 1,102 million Euros at year-end 2023, representing a coverage level of 64.9%, 0.8 pp higher than at year-end 2022.

Foreclosed real estate assets *Figures in millions of Euros*	**Gross Value**	**Value Adjustments**	**Carrying Amount**	**Coverage (%)**
Homes under construction	258	174	83	67.4%
Finished homes	445	254	191	57.1%
Building land, rural properties and other land	802	565	237	70.4%
Offices, premises, warehouses and other real estate	193	109	85	56.5%
TOTAL FORECLOSED REAL ESTATE ASSETS	**1,698**	**1,102**	**596**	**64.9%**

Note: The amount of the coverage includes both the impairment losses associated with the foreclosed real estate assets and the coverage in place prior to their acquisition, which covered the impairment of the credit instruments which they stemmed from.

Most of these real estate assets are finished housing (32.1% in terms of net book value) and land (39.7% in terms of net book value).

Sales of foreclosed assets during the first half of year totaled 200 million Euros. Of the said sales, 24% corresponds to housing, 46% to land and 30% to tertiary sector assets and construction work in progress, and have a positive impact on the income statement.

In addition, 69 million Euros gross of assets classified as investment property have been sold during the first half.

CET1 capital ratio of 14.1% and comfortable liquidity position after repayment of TLTROs

The Group maintains an excellent liquidity position, with a loan-to-deposit (LTD) ratio of 78.6%, a liquidity coverage ratio (LCR) of 284% and a net stable financial ratio (NSFR) of 143%.

Bankable liquid assets at the European Central Bank—net assets of all assets used—amount to 24,241 million Euros, a sum that represents 24.9% of the balance sheet total.

Bankable Liquid Assets *Figures in millions of Euros*	**Jun-23**
Liquid Assets	
Short-term cash surplus (1)	5,505
Reverse purchase agreements of bankable assets	194
Fixed-income portfolio and other bankable assets at the ECB	26,071
Total liquid assets (discounted value at the ECB)	**31,770**
Liquid Assets Used	
Taken out at the ECB	936
Assets sold under temporary assignments of assets and other pledges	6,593
Total liquid assets used	**7,529**
Available bankable liquid assets	**24,241**

(1) Interbank deposits + surplus balance at the ECB and operating accounts

Short-term issuance maturities are not significant.

Upcoming market issuance maturities (*) *Figures in millions of Euros*	**2023**	**2024**	**2025**	**>2025**	**TOTAL**
AT1	-	-	-	500	500
Tier 2	-	300	-	300	600
Senior preferred debt	-	500	660	500	1,660
Senior non-preferred debt	-	-	-	500	500
Mortgage-backed securities	450	-	1,282	3,940	5,672
TOTAL	**450**	**800**	**1,942**	**5,740**	**8,932**

(*) It includes multi-currency covered bonds.

The highest quality capital—Common Equity Tier 1, or CET1—in the phased-in transient period was 14.1%, the Level1 Capital ratio was 15.8% and the Total Capital ratio was 17.8%. These ratios represent some leeway above the bank's required levels of 5.8 pp in CET1 and 5.0 pp in total capital. Capital ratios include net income, net of accrued dividends, computability pending approval by the European Central Bank.

In the fully loaded period, Common Equity Tier 1 (CET1) amounts to 13.8%, the Tier 1 Capital ratio to 15.5% and the Total Capital ratio to 17.4%.

Banking business margins grow

Unicaja Banco Group Income Statement *Figures in millions of Euros*	**Jun-23**	**Jun-22**	**V.Abs.**	**V.Abs.***	**I.R.C.**	**I.R.C.***
Net interest margin	**615.7**	**509.2**	**106.4**	**106.4**	**20.9%**	**20.9%**
Commissions	269.1	263.7	5.4	5.4	2.0%	2.0%
Dividends and other equity results	66.2	54.7	11.5	11.5	21.0%	21.0%
RFO + exchange rate differences	8.3	27.5	(19.2)	(19.2)	(69.8%)	(69.8%)
Other products/operating expenses	(128.7)	(22.6)	(106.1)	(42.2)		
Gross margin	**830.7**	**832.5**	**(1.8)**	**62.0**	**(0.2%)**	**8.4%**
Operating expenses	428.6	436.1	(7.5)	(7.5)	(1.7%)	(1.7%)
Operating margin *(before write-downs)*	**402.1**	**396.4**	**5.7**	**69.5**	**1.4%**	**17.5%**
Write-downs and other results	(179.5)	(163.6)	(15.9)	(15.9)	9.7%	9.7%
Income before tax	**222.6**	**232.8**	**(10.2)**	**53.7**	**(4.4%)**	**23.1%**
Income tax	74.5	62.5	12.0	12.0	19.2%	19.2%
Consolidated income for the year	**148.1**	**170.2**	**(22.1)**	**41.7**	**(13.0%)**	**24.5%**
Pro memoria:						
Basic Income (Net Interest Margin + Fees and Commissions - Operating Expenses)	**456.2**	**336.8**	**119.4**	**183.2**	**35.5%**	**54.4%**

(*) Excluding the impact of the temporary bank levy, which amounts to 63.8 million Euros and was recorded in the first half of 2023.

The *net interest margin* amounted to 616 million Euros and increased 20.9% year-on-year. The growth in net interest margin was supported by the retail business, whose contribution increased by 167 million Euros compared to the previous year. Income from loans and advances to customers increased by 260 million Euros compared with the first half of 2022 due to the rise in interest rates, which has not been completely transferred yet to the variable-rate loan portfolio, and the contribution of new production at higher rates than those in the portfolio.

Commissions grew 2.0% year-on-year. The main lines of growth are mutual funds, which generated commissions of 31 million Euros, up 5% year-on-year, and commissions on the sale and purchase of securities. This income statement caption accounts for 32% of the gross margin.

Dividends and other results from investees amounted to 66 million Euros, including dividends and results from associates, mainly from insurance companies and the position in Oppidum Capital, S.L. (holding company of EDP shares). They were 11,5 million Euros higher than in the previous year.

Other operating income and expenses include the temporary lien on credit institutions (64 million Euros), the annual contribution to the Single Resolution Fund (EUR 44 million), the capital allowance on monetizable deferred tax assets (13 million Euros), in addition to the earnings of afilliates.

Operating expenses were down 1.7% year-on-year. Personnel expenses decreased by 5.2% year-on-year after the synergies stemming from 100% of the planned center closures and the 91.5% of the workforce adjustment foreseen in the Redundancy Program (ERE) signed on December 3, 2021 materialized. The term of the ERE is until December 31, 2024.

Finally, *Write-downs and other results* amounted to 179 million Euros, 76 million Euros of which correspond to loan loss provisions, bringing the annual cost of risk to 28 basis points.

Detail of Write-downs and Other Results *Figures in millions of Euros*	**Jun-23**	**Jun-22**	**V.Abs.**
Credit write-off	75.6	89.0	(13.4)
Foreclosed asset write-off	37.1	33.2	3.9
Provisions and other results	66.8	41.5	25.3
TOTAL WRITE-DOWNS AND OTHER RESULTS	**179.5**	**163.6**	**15.8**

4. Branch Network

The Unicaja Banco Group operates exclusively in Spain, mainly in Andalusia, Asturias, Cantabria, Castilla y León, Castilla-La Mancha, Extremadura and Madrid.

Of the Unicaja Banco Group's branches, 82% is concentrated in the autonomous communities of Andalusia (39%), Castilla-La Mancha (14%), Castilla y León (14%), Asturias (9%) and Extremadura (7%), the provinces of Málaga (13%), Asturias (9%), Madrid (9%), Toledo (6%) and Cádiz (6%) having the greatest specific weight.

The network comprised 959 branches as of June 30, 2023: 958 branches in Spain and 1 foreign branch office in the U.K. (the branches open to the public according to the criteria of the Bank of Spain include itinerant customer service desks and offices open abroad).

DISTRIBUTION OF THE BUSINESS NETWORK

		Operational Branches as at 06/30/2023		Operational Branches as at 12/31/2022	
Country	**Autonomous Community**	**Number of Branches**	**Distribution (%)**	**Number of Branches**	**Distribution (%)**
SPAIN	Andalusia	372	38.8%	374	38.6%
	Aragón	2	0.2%	2	0.2%
	Asturias	85	8.9%	85	8.8%
	Cantabria	47	4.9%	47	4.9%
	Castilla y León	131	13.7%	130	13.4%
	Castilla-La Mancha	129	13.5%	128	13.2%
	Catalonia	9	0.9%	9	0.9%
	Ceuta	1	0.1%	1	0.1%
	Valencian Community	10	1.0%	11	1.1%
	Extremadura	64	6.7%	65	6.7%
	Galicia	10	1.0%	10	1.0%
	La Rioja	1	0.1%	1	0.1%
	Madrid	85	8.9%	93	9.6%
	Melilla	3	0.3%	3	0.3%
	Murcia	4	0.4%	4	0.4%
	Navarra	1	0.1%	1	0.1%
	Basque Country	4	0.4%	4	0.4%
Total Number of Offices in Spanish Territory		**958**	**99.9%**	**968**	**99.9%**

		Operational Branches as at 06/30/2023		Operational Branches as at 12/31/2022	
Country	**City**	**Number of Branches**	**Distribution (%)**	**Number of Branches**	**Distribution (%)**
U.K.	London	1	100%	1	100%
Total Number of Branches Abroad		**1**	**0.1%**	**1**	**0.1%**
TOTAL NUMBER OF BRANCHES		**959**		**969**	

As of March 31, 2023, according to Statement FI-132 published by the Bank of Spain, the market share of deposits to the private sector was 5.0% in the country as a whole, and as follows by autonomous community: Andalusia (12.0%), Asturias (22.8%), Cantabria (21.3%), Castilla y León (19.1%), Castilla-La Mancha (16.6%) and Extremadura (20.5%).

Regarding the share of credit to the private sector, according to Statement FI-132 published by the Bank of Spain, it amounted to 4.3% in the country as a whole and to 10.2% in Andalusia, 20.6% in Asturias, 23.4% in Cantabria, 11.4% in Castilla y León, 15.5% in Castilla-La Mancha and 14.6% in Extremadura.

With respect to branches, the Unicaja Banco Group's presence in Andalusia corresponded to 11.9% of its branches, in Asturias, to 18.4%, in Cantabria, to 22.5%, in Castilla y León, to 10.8%, in Castilla-La Mancha, to 11.7%, and in Extremadura, to 9.7%, according to the latest available information from the Bank of Spain as of March 31, 2023. Its branches in the country as a whole represented 5.4% of all branches from all banks.

5. Risk management and control

The risk management and control system in place at the Unicaja Banco Group revolves around the following basic lines:

- A system of governance and organization of the risk function based on the active involvement and supervision of the Top Management, which approves the Entity's general policies and business strategies and lays down the overall risk management and control guidelines.
- A Risk Appetite Framework (RAF), which the Group considers a fundamental instrument for the implementation of its risk policy.
- A prudent risk exposure management model to which the Unicaja Banco Group pays close attention so as to keep a prudent, balanced risk profile at all times in order to meet its solvency, profitability and appropriate liquidity objectives, which translates into a solid, consistent risk culture.
- A selection of suitable methodologies for the identification, measurement, management and control of risks, which undergo a continuous process of improvement and are in line with regulatory requirements. At the same time, the Group matches its equity requirements to the level of actual risks stemming from its banking activity.
- A supervisory model based on three lines of defense, something which is in line with the expectations of regulatory and supervisory authorities.

The Unicaja Banco Group's overall risk management and control policies, methods and procedures are approved and periodically revised its Board of Directors.
Based on the current regulatory framework, Unicaja Banco's organizational structure includes an Overall Risk Control Unit, which is accountable to the Vice President's Office, which is in charge of controlling and relations with supervisors and is functionally independent from the departments that create exposures. One of the functions of this unit is to take control, from a global perspective, of all the risks for the Entity. The organization of the Unicaja Banco Group's Top Management has a well-defined internal structure that supports this unit and enables it to implement all the decisions it makes.

5.1. Risk appetite framework

The Group's risk management and control is arranged via, among others, the Risk Appetite Framework (RAF), which is approved by the Bank's Board of Directors.

The Unicaja Banco Group uses this RAF as an instrument for implementing its risk policy and as a key management and control tool that allows it to: (i) Formalize its risk appetite statement; (ii) specify its risk objectives in line with its corporate strategy, whereby it acts as a reference for guiding the activities that are carried out; (iii) formalize the risk supervision and monitoring mechanism so as to ensure compliance with its risk appetite; (iv) integrate all risk control and management processes into a common framework; and (v) strengthen and disseminate its risk culture.

Developing this Framework as the Group's general risk policy is a key aspect to the Entity's management and control, thus providing the Board of Directors and the Top Management with a comprehensive framework for determining the risks that the Entity is willing to assume.

Therefore, the main aim of Unicaja Banco's RAF is for a set of principles, procedures, controls and systems by means of which the Bank's risk appetite can be defined, communicated and monitored to be established.

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

The main goal in managing the different risks is to achieve a risk profile that falls within the desired risk appetite level, which is defined on the basis of the established limits, those management measures that are considered most appropriate to achieve this being taken.

In addition, this Framework establishes different metrics for the quantification, control and monitoring of risks, which permit reacting to certain levels or situations. These metrics characterize the objective behavior of the Unicaja Banco Group, are cross-functional to the organization, and make it possible to convey the risk-prone culture to all levels in the organization in a systematized and understandable way. In turn, they summarize the Group's objectives and limits, can be communicated, where appropriate, to its stakeholders and are homogeneous since they are applied throughout the organization.

The Group has a process for identifying material risks, in which methodologies for the quantification of all risks to which the Entity is exposed are used. Likewise, it defines a criterion for selecting those risks which are material and hence must be managed and controlled more proactively. This management and control involves, among other things, the allocation of capital within a Internal Capital Adequacy Assessment Process (ICAAP) or, in the case of the liquidity risk, the allocation of a liquidity management buffer, which is assessed within a Internal Liquidity Adequacy Assessment Process (ILAAP). The process of quantification and identification of material risks is carried out on a recurring basis, which allows the Entity to identify emerging risks at all times.

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

The Overall Risk Control Unit monitors compliance with the Risk Appetite Framework via the existing metrics for each type of risk. Moreover, it submits the results of its monitoring to the Top Management and its governing bodies.

The Entity has integrated its Risk Appetite Framework with its strategy, its ICAAP and ILAAP, its corporate risk policies and its Recovery Plan, among others. The Entity ensures the observance of the established risk culture through the approval of the management framework, the development of strategies and policies and the monitoring of the limits established for managing each type of risk.

5.2. Governance

The Bank's risk management and control model requires a robust and efficient organizational structure. This requires the effective involvement of the Board of Directors and the Top Management, as well as adequate coordination throughout the organization.

The following is a list of the bodies that are directly involved in Governance, their main functions and responsibilities as regards risk management and control being indicated, without prejudice to the other functions envisaged in the Law and in the Entity's Bylaws and regulations and manuals, where applicable.

The Board of Directors

The overall risk management and control policies, methods and procedures are approved by the Entity's Board of Directors. Thus, with respect to this area, the main functions conferred on this body are as follows:

- Approving the risk control and management policy, including tax risks, as well as periodically monitoring all internal information and control systems.
- Approving the RAF and its subsequent modifications, at the Risk Committee's proposal.
- Taking the RAF into consideration in the day-to-day management of the Entity and, especially, in the making of strategic decisions.
- Being informed, at least on a quarterly basis, of the monitoring of the RAF by the Risk Committee, without prejudice to the information that it may request of the latter at any given time.
- Taking all relevant corrective measures when deemed appropriate.
- Specifically approving, where appropriate, the maintenance of situations that involve an exceedance of a limit.

The Risk Committee

The following are among its main functions:

- Advising the Board of Directors on the Entity's overall risk appetite—current and future—and its strategy in this area and helping it to monitor the implementation of this strategy.
- Ensuring that all risk control and management systems work properly and, in particular, that any significant risks that affect the Company are properly identified, managed, and quantified.
- Ensuring that all risk control and management systems properly mitigate the risks within the framework of the policy defined by the Board of Directors.
- Actively taking part in drawing up the Company's risk management policy, ensuring that it identifies at least the following:
    - The different types of financial and non-financial risks (including, among others: operational, technological, legal, social, environmental, political and reputational) that the Company faces, contingent liabilities and other off-balance sheet risks being counted among the financial and economic risks.
    - The level of risk that the Company considers acceptable.
    - The measures envisaged to mitigate the impact of the risks identified, should they materialize.
    - The information and internal control systems that will be used to control and manage the aforementioned risks, including all contingent liabilities and off-balance sheet risks.
- In particular, within the RAF:
    - Proposing to the Board of Directors the approval of the RAF and its subsequent modifications.
    - Informing the Board of Directors, at least quarterly or at any time at it requests it, on the monitoring of the RAF.
    - Requesting, when it deems it convenient, information about the RAF from the various units.
    - - Propose the appropriate remedial measures according to the protocol established in the event the limit is exceeded.
    - Proposing to the Board of Directors, where appropriate, the maintenance of situations that involve the exceedance of a limit.

The Regulatory Audit and Compliance Committee

This Commission has functions pertaining to:

- Information and internal control systems, supervising, among others, the effectiveness of the internal financial information control system (IFICS).
- Internal audits.
- Accounts audits.
- Observance of corporate governance rules.
- Regulatory compliance-
- Those structural and corporate modification operations the Entity plans to carry out.

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

The Technology and Innovation Commission

Among the functions conferred on this Commission is the monitoring of the technological risk in general.

The Steering Committee

Among its functions, the following related to the RAF stand out:

- Validating and, where appropriate, submitting to the Governing Bodies proposals for documents relating to the Entity's strategic planning, among which is the RAF.
- Conveying the RAF's main criteria, whether they be the initial criteria or their subsequent adaptations, to the rest of the Entity, through the units that are in charge of each area, with the aim of having a solid "risk culture" at Unicaja Banco.
- Evaluating the implications of the RAF, in their respective areas of competence, in coordination with the Entity's internal Committees, which will in turn inform the competent units of them if necessary.

5.3. Risk Control Model

The risk management and control model adopted by the Entity contemplates, among others, the following risks:

- Credit Risk and Concentration and Management of Nonperforming Loans
- Market risk.
- The operational risk.
- Technology and Cybersecurity Risk
- The interest rate risk in the banking book (IRRBB).
- Business and Strategic Risk
- Property Risk.
- The liquidity risk.
- All risks related to environmental, social and governance factors.

Credit Risk and Concentration and Management of Nonperforming Loans

The credit risk is defined as the risk of incurring losses as a result of a default on payments owed to the Entity. This risk is inherent to its operation.

Unicaja Banco has a Customer Credit Risk Policies, Functions and Procedures Manual—approved by the Board of Directors—which it has established as the framework for properly controlling and managing the credit risks inherent to its credit investment.

This manual defines all mandatory risk policies and procedures, details the activities and tasks to be performed, delimits the responsibilities of the different areas involved in the transaction granting and monitoring processes, establishes the risk appetite decided by the Entity and its articulation through risk limits and types of transactions and documents in a structured and unified manner all general and specific aspects related to most of the credit investment transactions.

Likewise, the Unicaja Banco Group has scoring and rating models integrated in its approval, monitoring and recovery processes. The PD (probability of default), LGD (loss given default) and EAD (exposure at default) estimates are taken into account in different uses, such as the granting of operations, the calculation of provisions or the classification of credit transactions.

In addition, it should be noted that Unicaja Banco was authorized by the European Central Bank in 2021 to use internal models relating to its retail portfolio (excluding SMEs) to calculate its solvency ratios.

Regarding the granting of credit transactions, Unicaja Banco has detailed policies, methods and procedures to ensure it grants loans and credit to consumers in a responsible manner.

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

- The granting criteria associated with the debtor's ability to pay.
- A transaction amortization plan that is adapted to the customer.
- A prudent ratio of the amount of the transaction to the value of its collateral.
- A transaction marketing policy.
- A collateral valuation policy.
- Considering the interest rate and exchange rate variability in the granting of loans denominated in foreign currency.
- The Interest rate risk cover.
- The exceptions policy on the terms and conditions of transactions.
- A warning to the customer about their failure to compliance with their payment obligations.
- A debt renegotiation policy.
- Information on the cost of services related to the granting of the credit transaction.
- The obligation to provide information to home buyers by subrogation of a developer loan.

On the other hand, the Unicaja Banco Group has systems in place for complying with Law 5/2015 on the promotion of the business activity, which grants unwaivable rights to SMEs and self-employed workers in those cases where a credit institution decides to stop or reduce the flow of financing.

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

- The Board of Directors
- The Credit Committee
- The Credit Committees of the Overall Credit Risk Unit
- The Corporate Banking Credit Committee
- The Credit Committees of Territorial Directorate "A"
- The Credit Committees of Territorial Directorate "B"
- The Branch Credit Commissions and Extended Branch Credit Commissions

Likewise, the credit risk control functions and methodologies are applied both during the credit transaction approval phase and the credit transaction follow-up and recovery phases. Follow-up consists in monitoring the evolution of the risk of the transaction itself and of the customer or, where applicable, the economic group. Thus, the credit risk of the financial investment is controlled and monitored by means of various checks:

- The preventive supervision of operations and credit receivers.
- The supervision of all impaired, doubtful or unpaid transactions.

Pursuant to current legislation, the Unicaja Banco Group has a transaction refinancing, restructuring, renewal and renegotiation policy in place.

In addition, it has methodologies, procedures, tools and rules of action for controlling and recovering irregular assets.

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

Market Risk

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

Even though market risk is assigned to trading positions for solvency purposes, the Unicaja Banco Group has developed policies, processes and tools for managing the market risk corresponding to its entire portfolio of securities entered at a fair value for accounting purposes.

In order to properly manage the market risk, the Structural and Non-Financial Risks Area, which is accountable to the Overall Risk Control Unit, has tools for measuring, calculating and controlling market risks, the limits set therefor by the Board of Directors, in particular the value at risk (VaR), and operating limits by credit/counterparty risk that affect the Unicaja Banco Group's operations in capital markets and which act as a means of diversification in order to avoid excessively concentrated exposures to market risk.

The Unicaja Banco Group carries out the measurement and control function by establishing a structure of quantitative limits and a system of powers in financial market operations. The Group has detailed information on the different subrisks and has assigned limits within its Risk Appetite Framework that allow it to adequate monitor and, if necessary, mitigate such risks.

The ultimate responsibility for risk identification and control lies with the Governing Bodies of the Unicaja Banco Group. Thus, the Top 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).

Operational risk

Operational risk is defined as the risk of suffering losses due to the unsuitability or failure of company procedures, people or systems or to external events, including the legal risk.
Unicaja Banco assumes the following types of operational risk, pursuant to Regulation 575/2013 (CRR), in order to maintain a uniform and parameterized management of risk:

- Internal fraud
- External fraud
- Employment and occupational health and safety practices
- Customers, products and business practices
- Damage to tangible physical assets
- Interruption of the activity and system failures
- Process execution, delivery and management

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

- Process, damage and external fraud risks are defined as losses resulting from the unsuitability or failure of internal processes or people or from external events or events caused by fraud. Excluding other subtypes, they are collectively known as the **operational risk.**

- **Legal risk** is defined as the possibility of suffering losses due to fines, sentences or punitive damages resulting from supervisory actions and from private settlements, except those included in the conduct risk.

- **Conduct risk** deals with the current or future risk of the Entity incurring losses arising from inadequate provision of financial services, including intentional and negligent cases. Internal fraud is also included therein. The Unicaja Banco Group ensures the correct creation, issuance and distribution of products and the proper provision of services while ensuring compliance with current legislation. Likewise, one of the Entity's objectives is to ensure that new products are subjected to all necessary analysis and review procedures in order to mitigate the risk of litigation as much as possible.

- Finally, due to its relationship with operational risk, **reputational risk** is defined as the risk of loss due to a deterioration of the Entity's image, either due to events inside the Entity itself or to external events (macro-environment) affecting the reputation of the bank industry in general.

  The Unicaja Banco Group has traditionally been very demanding as regards aspects relating to reputational risk management. Customer satisfaction and the good image of the Entity are permanent goals of all its employees and of the Company's highest levels of governance and management.

  This constant effort to maintain and reinforce it good image is rooted in its global culture and is embodied in, among other concrete manifestations:

  - The Entity's strategic objectives.
  - The Code of Conduct, the Corporate Social Responsibility Policy, the Sustainability Policy, Environmental, the Energy and Climate Change Policy and the Criminal Risk Prevention Program, approved by the Board of Directors.

- The actions of the three lines of defense.
- Compliance with the general regulatory framework and, in particular, with the Markets in Financial Instruments Directive (MiFID) and financial service user protection regulations.
- The process of continuously training employees in all areas in which they work, including, specifically, training in ethical aspects, as established in the "Code of Conduct".

▪ **The risk of prevention of money laundering and financing of terrorism** is the risk that the Unicaja Banco Group may incur or may be used to such ends stemming from criminal activities giving rise to (i) a reputational risk that may result in negative publicity related to the Group's practices and relationships and leads to a lack of confidence in the Group's integrity or (ii) a 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 the improper use of models or erroneous model results. Errors can arise in any phase of a model's life cycle, the development, implementation and usage phases being particularly relevant. This is a cross-functional risk for the Group, which therefore measures its potential impact on other risks the Entity is exposed to, such as the credit, IRRBB, market, business and reputational risks, among others.

  The Group has established a tiering of models established based on their relevance in its decision-making process, which can range from 1 to 3, the latter being the lowest relevance.

  The Models Committee is the management body in charge of supervising, approving and ratifying all those processes in the life cycle of the corporate models that require it. In the case of those models of greater relevance to the Group, a circuit and additional governing bodies have been defined through which they must go.

The 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 its operational risk management policy. Likewise, it has a Board of Directors-approved Operational Risk Framework.

The Group's operational risk management not only covers the recognition of loss-generating events and their correct entering into its accounts but also promotes its active control and management facet in order to minimize and reduce all losses and negative impacts arising from this type of risk.

The Unicaja Banco Group uses other operational risk mitigation measures to manage the operational risk. These measures include (i) the performance of self-assessment exercises and (ii) the system of key risk indicators (KRI) for measuring the evolution of risk factors.

Since December 2017, the Entity has been using the Standardized Approach as its method for quantifying its operational risk in terms of capital with the aim of improving how it manages this risk, which is in line with its risk culture.

- Technology and Cybersecurity Risk

Technology and cybersecurity risk is defined in the "ICT and Security Risk Management Guidelines (EBA/GL/2019/04)" document as the risk of loss due to a breach of confidentiality, a system and data integrity failure, the unsuitability or unavailability of systems and data or an impossibility to replace information technologies (IT) within reasonable timeframes and at reasonable costs when the environment or business needs change (i.e. agility).

This risk includes security risks resulting from the unsuitability or failure of internal processes or from external events, including the risk of cyberattacks or the risk arising from poor physical security.
Unicaja Banco has a catalog of metrics for quantifying, controlling and monitoring such risk within its Risk Appetite Framework, which divides the risks that fall in this category into two control areas: technological risk and cybersecurity risk.

The Unicaja Banco Group makes sure it properly controls these risks in order to provide resilient, quality services to its customers, shareholders and other stakeholders.

Interest Rate Risk in The Banking Book (IRRBB)

Interest rate risk in the banking book (IRRBB) is defined as the current or future risk to both the earnings and economic value of the Entity arising from adverse interest rate fluctuations affecting interest rate sensitive instruments.
The control functions performed and methodologies employed by the Entity also include the control of 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, it uses sensitivity measurement and analysis techniques of a wide range of scenarios that could significantly affect it to capture the different sources of risk.

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

The Board of Directors approves the Entity's overall risk management strategy and laid down the general and control guidelines of this management.

The Assets and Liabilities Committee (ALC) develops the strategy within the framework and limits established by the Board of Directors.

Business and Strategic Risk

Business and strategic risk is defined as the risk of incurring losses due to poor strategic decisions stemming from an incorrect analysis of the market in which the Entity operates, either due to a lack of knowledge of the latter or an inability to achieve its objectives, which could endanger the viability and sustainability of its business model.

Property Risk

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

The Unicaja Banco Group sets limits to the real estate risk relating to assets received in payment for debts in order to control this exposure and keep it within adequate levels.

These assets are managed in the Entity with the ultimate purpose of divesting or leasing them. To this end, the Unicaja Banco Group has holding companies specializing in the management of urban development projects, the marketing of real estate and the leasing of real estate assets.

It also has specific units to devise these strategies and coordinate the actions of the instrumental subsidiaries and those carried out through an external manager.

In addition, the Entity has a decentralized governance structure that, through a framework of attributions, ensures this risk is properly managed and controlled.

Liquidity Risk

Liquidity risk can be defined differently since it is not a monodimensional concept. Typically liquidity risk has three different meanings, which we will define hereinbelow as:

- The cost of unwinding a position in a real or financial asset. It refers to the difficulties that may arise when unwinding or closing a position in the market, at a particular point in time, without impacting the market price of the instruments or the cost of the transaction (market or asset liquidity).
- A mismatch between the degree of enforceability of liability operations and the degree of performance of asset operations (funding liquidity).
- A mismatch between the capabilities for growth of the investment activity arising from the impossibility of finding financing commensurate with the risk appetite to leverage asset growth strategies (strategic or structural liquidity).
  The Entity establishes prudent policies and goals that contemplate not only normal market conditions but also contingency plans for stress or crisis situations, both its own and of the market.

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

The Unicaja Banco Group has set limits to the liquidity risk to control its exposure thereto and maintain such exposure within authorized levels.

Generally speaking, liquidity is considered adequate if potentially liquid assets and funding capacity are greater than the needs arising from the business and the costs of refinancing in the markets. The greater this difference, the greater the available liquidity.

The Unicaja Banco Group also practices a diversification policy in order to avoid excessively concentrated exposures to the structural liquidity risk. Likewise, in its management of liabilities, it diversifies its sources of funding, ensuring that they are diversified by market, maturity and product, in order to steer away from difficulties at particular moments of crisis or of the markets.

Risks related to environmental, social and governance factors.

Environmental, social and governance (ESG) factors can have a material impact on the Entity’s financial performance or solvency. The scope of these factors is extrapolated 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 invested financial instruments) and liabilities (such as issues of financial instruments or investment profile).

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

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

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

  Physical risk is in turn classified as:

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

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

  - The transition risk refers to the Entity's financial losses that might arise directly or indirectly from the process of adapting to a lower carbon and more environmentally sustainable economy.[2]

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

[2] The European Union aims to achieve a neutral balance of greenhouse gas emissions by 2050 (see, e.g., the "European Green Pact," published by the European Commission in December 2019). This purpose has materialized in a binding normative text known as the "European Climate Law:" 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. As far as Spain is concerned, Law 7/2021, of May 20, on climate change and energy transition, which affects, among other aspects, transparency and disclosure of information by financial institutions, in general, and by banks, in particular, is worth highlighting.

Physical and transition risks can also trigger further damages arising directly or indirectly from legal claims (liability risk) and a loss of reputation if the public, counterparties or investors associate the Entity or its customers—particularly corporate or institutional clients—with adverse environmental effects (reputational risk).

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

In order to properly manage ESG risks (which encompasses climate-related and environmental risks), the Entity has launched a series of initiatives, including an Action Plan on Sustainable Financing—approved in June 2020 and revised in April and November 2021, whose purpose is to measure in depth the impact of such risks on its financial structure and to enable it to act efficiently in this area in the medium and long term.

Likewise, the Bank has availed itself of a structure for promoting sustainability, which currently comprises the ESG Business Unit and the Sustainability and Corporate Social Responsibility (CSR) Unit. The Sustainability and CSR Committee is the body that brings together, in addition to these two units, other Bank units with ESG factor management powers.

The implementation of the aforementioned Sustainable Finance Action Plan has been included in Axis 5 of the 2022-2024 Strategic Plan approved by the Entity in December 2021. The new challenge of sustainability, in all its facets, is assumed by Unicaja Banco as an opportunity for development and improvement in its everyday management. To this end, the Bank will work on a renewed range of products and services and reducing its carbon footprint and, at the same time, will promote a culture of sustainability and identification and management of climate-related and environmental risks, which denotes a holistic approach to the management of such risks.

The Group has included in its Risk Appetite Framework a number of climate-related and environmental risk metrics that are indicators of the level of such risks.

APPENDIX I
ALTERNATIVE PERFORMANCE MEASURES (APM)

The information contained herein has been prepared in accordance with International Financial Reporting Standards as adapted by the European Union (EU-IFRS). In addition, the Unicaja Banco Group considers that certain Alternative Performance Measures (APM), as defined in the Guideline on Alternative Performance Measures published by the European Securities Market Authority (ESMA) on October 5, 2015 (ESMA/2015/1415en), provide additional information that might be useful when analyzing the Group's financial performance.

The Group considers that the APMs included herein comply with said ESMA Guideline. These APMs have not been audited and under no circumstances replace the financial information prepared under the IFRSs. Likewise, the definition of these APMs that the Group uses may differ from similar measures calculated by other companies and therefore might not be comparable.

Following the recommendations of the aforementioned Guideline, the APMs used by the Unicaja Banco Group are listed below:

ALTERNATIVE PERFORMANCE MEASURES *(Millions of Euros)*		**Jun.23**	**Dec.22**
Loans and advances to customers (without valuation adjustments)	1. Trading financial assets obligatorily at fair value with changes in income - Loans and advances to customers	107	113
	2. Financial assets at amortized cost - Loans and Advances - Customers	52,685	54,326
	3. Valuation adjustments	(849)	(892)
	4. Temporary acquisitions of assets	0	0
	5. Other financial assets	490	440
	Figure (1+2-3-4-5)	**53,151**	**54,891**
<u>Objective</u>: To know the total balance and evolution of credit risk in the field of loans and advances to customers.			

Performing credit	1. Loans and receivables portfolio. Gross	53,151	54,891
	2. Loans and receivables portfolio. Doubtful risk(1)	1,921	1,938
	Figure (1-2)	**51,231**	**52,953**
<u>Objective</u>: To know the total balance and evolution of the Group's healthy loans and advances (those in Stage 1 or Stage 2).			

(1) It excludes other nonperforming financial assets.

Managed resources	1. Financial liabilities at amortized cost. Customer deposits (without valuation adjustments) (1a+1b)	74,249	74,487
	(1a) Financial liabilities at amortized cost. Customer deposits	74,095	74,387
	(1b) Valuation adjustments	154	100
	2. Debt securities issued (without valuation adjustments)	3,939	3,443
	(2a) Debt securities issued	3,854	3,330
	(2b) Valuation adjustments	85	113
	3. Funds managed through off-balance sheet instruments*	21,004	20,248
	Figure (1+2+3)	**99,192**	**98,178**
<u>Objective</u>: To know the total balance and the evolution of the funds managed by the Group, both on- and off-balance sheet.			

(*) This figure does not expressly appear in the consolidated financial statements or in the explanatory notes thereto but has instead been obtained from the records, databases or inventories of the Unicaja Banco Group.

ALTERNATIVE PERFORMANCE MEASURES		Jun.23	Dec.22
Managed resources. Customers (non-market)	1. Managed resources (see the specific APM)	99,192	98,178
	2. Individual mortgage bonds under the "Term Savings" item. Cash value. *Management figure (*)*	4,655	4,655
	3. Customer deposits. Repurchase agreements (without valuation adjustments)	1,965	20
	4. Debt securities issued (without valuation adjustments)	3,939	3,443
	5. Repurchase agreements of assets held by retail customers. *Management figure (*)*	29	22
	Figure (1-2-3-4+5)	**88,662**	**90,082**
Objective: Knowing the total balance and evolution of the funds managed by the Group, both on- and off-balance sheet, for the customer area, excluding market operations.			

(*) This figure does not expressly appear in the consolidated financial statements or in the explanatory notes thereto but has instead been obtained from the records, databases or inventories of the Unicaja Banco Group.

Managed resources (Markets)	1. Individual mortgage bonds under the "Term Savings" item. Cash value. *Management figure (*)*	4,655	4,655
	2. Customer deposits. Repurchase agreements (without valuation adjustments)	1,965	20
	3. Debt securities issued (without valuation adjustments)	3,939	3,443
	4. Repurchase agreements of assets held by retail customers. *Management figure (*)*	29	22
	Figure (1+2+3-4)	**10,530**	**8,096**
Objective: Knowing the total balance and the evolution of the funds managed by the Group for the market operations area.			

(*) This figure does not expressly appear in the consolidated financial statements or in the explanatory notes thereto but has instead been obtained from the records, databases or inventories of the Unicaja Banco Group.

Default rate	1. Loans and receivables portfolio. Doubtful risk	1,921	1,938
	2. Loans and receivables portfolio. Gross	53,151	54,891
	Ratio (1/2)	**3.6%**	**3.5%**
Objective: Measuring the quality of the loan portfolio, indicating the percentage of doubtful loans with respect to the total number of loans.			

Coverage of non-performing loans	1. Loans and receivables portfolio. Total value corrections due to the impairment of assets(2)	1,264	1,289
	2. Loans and receivables portfolio. Doubtful risk	1,921	1,938
	Ratio (1/2)	**65.8%**	**66.5%**
Objective: Knowing the percentage of the doubtful portfolio that is covered by loan loss provisions. It is an indicator of the expected recovery of such assets.			

(2) It excludes valuation adjustments due to the impairment of other financial assets.

Coverage of foreclosed property assets	1. Accumulated impairment of foreclosed properties or properties received in payment of debts	1,102	1,175
	2. Gross carrying amount of real estate foreclosed or received in payment of debts	1,698	1,833
	Ratio (1/2)	**64.9%**	**64.1%**
Objective: Showing the level of coverage of foreclosed real estate assets classified for accounting purposes as available-for-sale assets or inventories.			

ALTERNATIVE PERFORMANCE MEASURES		Jun.23	Jun.22

ROE	1. Annualized consolidated net income for the fiscal year, excluding the temporary bank levy (consolidated income statement)	423.8	340.5
	2. Shareholders' equity	6,429	6,375
	Ratio (1/2)	**6.6%**	**5.3%**
<u>Objective</u>: It measures the return obtained on funds invested/retained by/in the Group and hence is an indicator of ROE.			

ROTE	1. Consolidated annualized net income for the fiscal year, excluding the temporary bank levy, of interest on issued equity instruments other than capital (2-3)	401.2	317.9
	2. Annualized consolidated net income for the fiscal year, excluding the temporary bank levy (consolidated income statement)	423.8	340.5
	3. Equity instruments issued other than share capital (AT1)	22.6	22.6
	4. Tangible common shareholders' equity (5-6-7-8)	5,749	5,696
	5. Shareholders' equity	6,429	6,375
	6. Equity instruments issued other than share capital (AT1)	547	547
	7. Intangible assets	80	79
	8. Goodwill on investments	53	53
	Ratio (1/4)	**7.0%**	**5.6%**
<u>Objective</u>: Measuring the return obtained by the Group's tangible equity and, hence, the Group's ability to remunerate its shareholders on the equity they have invested in the Bank once intangible assets have been discounted.			

ROA	1. Annualized consolidated net income for the fiscal year, excluding the temporary bank levy (consolidated income statement)	423.8	340.5
	2. Total assets	97,259	114,806
	Ratio (1/2)	**0.4%**	**0.3%**
<u>Objective</u>: Measuring the profitability obtained by the Group's total assets, which reflects the Group's efficiency in generating profit with the assets to which it has applied its funds.			

RORWA (management)	1. Annualized consolidated net income for the fiscal year, excluding the temporary bank levy (consolidated income statement)	423.8	340.5
	2. Risk-weighted assets (RWA)	31,916	34,899
	Ratio (1/2)	**1.3%**	**1.0%**
<u>Objective</u>: RORWA is an evolution of ROA. It is used to measure the return obtained in relative terms on the total number of risk-weighted assets.			

Efficiency (operating expense/gross operating income)	1. Operating expenses (consolidated profit and loss statement)	428.6	436.1
	2. Gross Margin, excluding the temporary bank levy (consolidated income statement)	894.4	832.5
	Ratio (1/2)	**47.9%**	**52.4%**
<u>Objective</u>: Knowing the percentage of funds used to generate the gross margin.			

Cost of risk	1. Impairment the annualized value or (-) reversal of the impairment of the annualized value of Loans to and receivables from customers (consolidated profit and loss statement)	74.4	89.2
	2. Balance at end of the period of loans and advances to customers (without valuation adjustments or TAAs)	53,151	56,199
	Ratio (1/2) – Annualized data	**0.28%**	**0.32%**
<u>Objective</u>: Knowing the Group's credit quality through the annual cost, in terms of impairment losses (write-downs of loans and receivables, entered in the accounts under the impairment of financial assets not valued at a fair value through income item) of each gross customer lending unit.			

ALTERNATIVE PERFORMANCE MEASURES		Jun.23	Dec.22
Loan to Deposits (LtD)	**NUMERATOR: Loans and advances to customers without valuation adjustments**	**53,151**	**54,891**
	1. Financial liabilities at amortized cost. Customer deposits (without valuation adjustments)	74,249	74,487
	2. Individual mortgage bonds under the "Term Savings" item. Cash value. *Management figure*	4,655	4,655
	3. Customer deposits. Repurchase agreements (without valuation adjustments)	1,965	20
	4. Repurchase agreements of assets held by retail customers. *Management figure*	29	22
	(1-2-3+4) DENOMINATOR. Customer deposits without valuation adjustments-	**67,658**	**69,834**
	Ratio (NUMERATOR/DENOMINATOR)	**78.6%**	**78.6%**
Objective: Measuring the ratio of the funds the Group has in its customer deposits to the volume of loans and advances.			

Gross liquid assets	1. Short-term cash surplus (Interbank deposits + excess balance in the ECB and operating accounts)	5,505	3,235
	2. Reverse purchase agreements of bankable assets	194	198
	3. Fixed-income portfolio and other bankable assets at the ECB	26,071	28,488
	Figure (1+2+3)	**31,770**	**31,921**
Sum of: *- The excess/deficit of deposits in the Bank of Spain with respect to the minimum reserve ratio in effect as of that date and the excess/deficit in operating accounts with credit institutions with respect to the average over the last 12 months.* *- The net position of interbank deposits with other credit institutions.* *- The discountable fixed-income portfolio at the ECB, both firm and by means of reverse repurchase agreements, including the Bank's own portfolio issued for use as collateral at the ECB and all pledged loans, all valued at the discounted value at the ECB.*			
Objective: Knowing the total balance and evolution of the Group's high quality liquidity assets (HQLA).			

Net liquid assets	1. Gross liquid assets (see APM above)	31,770	31,921
	2. Taken out at the ECB	936	5,321
	3. Assets sold under temporary assignments of assets and other pledges	6,594	3,084
	Figure (1-2-3)	**24,240**	**23,516**
Note: The portion of gross liquid assets that is being used as collateral for financing, either against the ECB, through temporary assignments of assets or other pledges, is deducted from the gross liquid assets.			
Objective: Knowing the total balance and evolution of the Group's high quality liquid assets (HQLA) by netting such assets that are being used as collateral for financing.			

UNICAJA BANCO, S.A. AND SUBSIDIARIES (UNICAJA BANCO GROUP)

FORMULATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS AND INTERIM CONSOLIDATED MANAGEMENT REPORT

The Board of Directors of Unicaja Banco, S.A., meeting at its registered office on July 28, 2023, resolves, in compliance with the requirements established by current legislation, to prepare the Consolidated Summarized Interim Financial Information for the six-month period ended June 30, 2023, consisting of the condensed consolidated balance sheet as of June 30, 2023, the condensed consolidated profit and loss account, the condensed consolidated statement of recognized income and expense, the condensed consolidated statement of total changes in equity and the condensed consolidated statement of cash flows, as well as a summary of the most significant accounting policies and other explanatory notes, and the consolidated interim management report, for the six-month period ended June 30, 2023, all set out on the front of the State's stamped paper sheets, numbered sequentially from [●] to [●], all inclusive, of Series [●], Class 8, of 3 Euro cents each.

To the best of our knowledge, the condensed interim consolidated financial statements for the six-month period ended June 30, 2023, prepared in accordance with the applicable accounting principles, give a true and fair view of the net worth, financial position and profit and loss of Unicaja Banco, S.A. and subsidiaries comprising the Unicaja Banco Group. Likewise, the consolidated interim management report for the six-month period ended June 30, 2023 includes a faithful analysis of the evolution, net income and position of Unicaja Banco, S.A. and the subsidiaries comprising the Unicaja Banco Group.

For further information on the contents of this summarized financial information, bearing in mind the facts and results that affect them, it is necessary to refer to the consolidated financial statements and the consolidated management report for the year ended December 31, 2022.

For these purposes, it is hereby certified that the agreement to prepare the Consolidated Summary Interim Financial Information, for to the six-month period ended June 30, 2023, and the corresponding declaration of responsibility therefor, has been reached with the unanimous vote of all board members, who are Mr. Manuel Azuaga Moreno (Executive Chairman), Mr. Manuel Menéndez Menéndez (Chief Executive Officer), Mr. Miguel González Moreno (Vice Chairman), Ms. Natalia Sánchez Romero (Secretary of the Board), Ms. Carolina Martínez Caro (Coordinating Director), Ms. María Luisa Arjonilla López (Member), Mr. Rafael Domínguez de la Maza (Member), Mr. Felipe Fernández Fernández (Member), Mr. Juan Antonio Izaguirre Ventosa (Member), Mr. José Ramón Sánchez Serrano (Member) and Mr. David Vaamonde Juanatey (Member).