

# POLICY FOR THE REMUNERATION OF DIRECTORS OF UNICAJA BANCO, S.A. (2018-2020)

**Unicaja Banco, S.A.**

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## 1. INTRODUCTION AND REGULATORY FRAMEWORK

Unicaja Banco, S.A. (hereinafter referred to as “Unicaja Banco” or the “Company”) is since 30 June 2017 a listed company, so it is subject to the provisions for that type of companies set in the consolidated text of the Spanish Corporate Enterprises Act (*Ley de Sociedades Capital*) approved by Legislative Royal Decree 1/2010, of 2 July (hereinafter, the “Corporate Enterprises Act”).

In accordance with Article 529 *novodecies* of the Corporate Enterprises Act and with Article 33.3 of the Law on ordering, supervision and solvency of credit institutions, the competence to approve the “Policy for the Remuneration of the Directors of Unicaja Banco, S.A.” corresponds to its General Meeting of Shareholders

Article 529 *novodecies* of the Corporate Enterprises Act (“Approval of the policy for the remuneration of directors”) stipulates in its first paragraph that *“the policy for the remuneration of directors shall adjust to the remuneration system set out in the bylaws and shall be approved by the general meeting of shareholders at least every three years, as a separated item on the agenda”*.

Given the nature of credit institution of this Company, it is additionally subject to the regulations on banking. Under Article 33.3 of the Law 10/2014, of 26 June, on the ordering, supervision and solvency of credit institutions, which refers to the Corporate Enterprises Act, the Company must prepare a remuneration policy for its Directors.

In accordance with the above, the General Meeting of Shareholders of Unicaja Banco approved a “Policy for the Remuneration of Directors” for the three-year period 2015, 2016 and 2017.

This present “Policy for the Remuneration of Directors of Unicaja Banco, S.A.” (hereinafter, the “Policy”) for the years 2018, 2019 and 2020, sets out the framework for determining directors’ remuneration for each one of the said financial years.

The Policy has been prepared taking into account the amendment to Article 29 of the Company’s Bylaws (the “Bylaws”), proposed to the General Meeting where this present Policy shall be submitted too, to complete the regulations, at a statutory level, on the remuneration scheme of Directors.

## 2. GENERAL PRINCIPLES OF THE REMUNERATION POLICY OF UNICAJA BANCO, S.A.

The following criteria have been taken into account for determining the principles referred to in this section:

- Internal equity and competitiveness. The remuneration system will arrange to achieve the objectives of internal equity and competitiveness.
- Flexibility. Within the framework of the principles set in the Policy, mechanisms applicable to specific situations are included, without undermining their explicit and transparent nature.
- Transparency and simplicity. The remuneration system will be explicit and will foster its transparency. It will also be characterized by clarity in its wording and by simplification in its instrumentation.

- Supervision. The Policy will be periodically reviewed with regard to its general principles and its correct application.
- Proportionality. The Policy and its practical application shall adapt to the principle of proportionality. The Company's size, internal organization, nature, scope and complexity shall be taken into account for the purposes thereof.

Therefore, the remuneration system applicable in the Company to the members of the Board of Directors shall be guided by the following principles:

- a. It will promote -and it will be compatible with- a sound and efficient risk management, and it will not offer incentives for taking risks which exceed the level tolerated by the Company.
- b. It will be compatible with the corporate strategy, the objectives, the values and the long-term interests of the Company and it will avoid conflicts of interest.
- c. With regard to executive Directors, it will maintain, when applicable, a balanced and efficient ratio between variable remuneration and fixed components. In particular, the latter shall constitute a sufficiently relevant amount of total remuneration.
- d. It will differentiate clearly the criteria to set the different components of overall remuneration, which will correspond, in general, to the following parameters:
  - Fixed component: It shall reflect mainly the relevant professional experience and organizational responsibility.
  - Variable component: Variable remuneration, when its accrual and pay-out is foreseen, must reflect a performance in excess of that required to comply with the description of functions as part of the performance conditions. Where remuneration is linked to results, the right to receive it and its total amount shall be based, in any case, on objective indicators.
- e. Up to 100% of the overall variable remuneration shall be subject to malus and clawback clauses.
- f. The incentive systems shall respond, in any case, to the criterion of graduation of the amount of variable remuneration. In this sense, the variable component of remuneration:
  - Shall not limit the Company's capacity to strengthen the soundness of its capital base.
  - Shall be related to the professional performance of its beneficiaries and shall not derive only from the general evolution of markets or the financial system, or other similar circumstances.
  - Shall take into account the possible qualifications that may appear in the external auditor's report and reduce or may reduce the Company's result.
  - Shall be eliminated or shall decrease significantly in case of negative behaviour of the Company's results or of its capital ratios, both in relation to previous financial

years or to those of peer institutions, or a negative behaviour of other parameters, such as the degree of achievement of the objectives set.

- In any case, the payment of any variable remuneration shall be subject to compliance with the capital requirements and supervisory requirements, in particular, to those related to the Maximum Distributable Amount (MDA).
- Shall not allow the use of personal hedging strategies, or insurance related to remuneration and responsibility, which may undermine the risk alignment effects embedded in remuneration systems.
- The reception of a substantial part of variable remuneration shall be deferred for a certain time period, taking into account the economic cycle, the nature of business and its risks.
- At least 50% of variable remuneration shall be paid by the delivery of shares (in treasury shares) or other instruments of the Company.

### **3. REMUNERATION OF THE DIRECTORS OF UNICAJA BANCO, S.A.**

#### **3.1. Remuneration structure for the directors of Unicaja Banco, S.A.**

Article 29 of the Bylaws sets that the position of director is remunerated and it regulates the remuneration structure of Unicaja Banco's Directors. In any case, the remuneration of Directors shall adjust to the provisions, on this topic, included in the corporate and banking regulations.

This structure is developed in this Policy and is applicable to all Directors, executive or not, who serve office during all or part of the financial years during which the present Policy is in force.

##### **3.1.1 General remuneration of Directors**

Article 29 (2) of the Bylaws establishes that the remuneration of Directors in their role as such shall consist of a fixed salary and attendance fees for attendance at the meetings of the Board of Directors and its Committees.

In any case, the fixed allowance for belonging to the Board shall be 45,000 euros gross.

The maximum amount of the annual remuneration of the whole of Directors in their role as such shall be approved by the General Meeting of Shareholders and shall be in force until an amendment is approved.

The Board of Directors, subject to the limits and conditions established in this Policy, shall determine the distribution of the said amount and shall set the remuneration of the different Directors, taking into account the functions and responsibilities assigned to each Director and other objective circumstances that it may consider relevant.

### 3.1.2 Remuneration of executive Directors

When a member of the Board of Directors is assigned executive functions under any title, a contract between the said director and the Company will have to be executed and will have to be approved by the Board of Directors with the favourable vote of two thirds of its members. The affected Director shall refrain from attending the deliberation and participating in the vote. The approved contract shall be attached to the minutes of the meeting. The Director shall not receive any remuneration for the performance of executive functions whose amounts or concepts are not set in the said contract. In any case, the corresponding remunerations under those contracts shall adjust to this Policy and, in particular, to the limits and amounts set in section 3.3.2.

Therefore, with regard to the current executive directors, and, in any case, for the positions of Executive Director and CEO, for the period 2018-2020, the concepts and remuneration amounts set in section 3.3.2. shall be applicable.

In addition to the remuneration mentioned in section 3.1.1. above, executive Directors shall be entitled to received remuneration composed by:

1. A fixed part, adequate to the services and responsibilities undertaken.
2. A variable part, correlated to the performance indicators of the Company.
3. An assistance part, covering the appropriate pension and insurance systems.
4. Compensation in case of separation or any other way of termination of the legal relationship with the Company and not due to non-compliance attributable to the Director.

The determination of the target-variables or metrics for the calculation of the variable part, of the assistance provisions and of compensation or its calculation criteria corresponds to the Board of Directors, within the limits and recommendations set in this Policy.

- **Fixed remuneration**

The specific amount set for each executive director in his/her respective contract.

- **Variable remuneration**

Executive Directors shall be entitled to receive variable remuneration only when the conditions set for that fact in their respective contracts are met.

Variable remuneration shall not exceed 25% of the fixed component of the total cash remuneration of the executive Director.

Within the framework of the present Policy, of the “General Scheme of Incentives” of the Company, of the specific scheme for executive Directors and that contractually agreed with them, the Board shall set and assess, for each year, upon proposal of the Remuneration Committee, the specific target-variables and other conditions to determine the accrual, quantification and pay-out of variable remuneration, which may vary for each executive Director.

At least 40% of the variable remuneration accrued in each financial year by the executive Directors shall be deferred for a period from 3 to 5 years, and shall be subject to *ex post* adjustments for results and for the evolution of the Company's risk, capital and liquidity in the corresponding period.

Deferred remuneration shall be paid during the deferral years in a pro-rata manner, so that the remuneration payable under deferral provisions is not received faster than in a proportional manner.

At least 50% of the variable remuneration, whether deferred or not, shall be paid in shares of Unicaja Banco, subject to the corresponding retention periods. For the purposes of determining the number of shares to deliver, of accruing the variable remuneration for each one of the corresponding dates, it will be considered the price of the Unicaja Banco share corresponding to the average value of the weighted average price of the listing of Unicaja Banco shares between the dates of the end of the financial year and the approval of the annual accounts corresponding to the said year by the Annual General Meeting of Shareholders (excluding both). In any case, it is expressly stated that the delivery of shares as part of the variable remuneration system for executive Directors is subject to approval by the General Meeting of Shareholders of the Company. The shares delivered to executive Directors under the above, shall come from the Company's treasury shares.

- **Assistance part**

○ *Discretionary pension benefits*

For executive Directors, in accordance with that agreed with them in their respective contracts with the Company, and in compliance with the provisions of section 1(2) of the Norm 41 of the Circular 2/2016 of the Bank of Spain, of 2 February, to credit institutions on supervision and solvency, a significant part of the contributions to pension commitments or savings insurances covering analogous contingencies, which is not lower than 15%, shall be based on variable components and shall be considered as discretionary pension benefits.

Where discretionary pension benefits are instrumented through an insurance policy, this shall incorporate the necessary provisions to ensure the application of the regulations related to pay out in instruments and retention by the Company included in this Policy.

In line with the present Policy, discretionary pension benefits shall be established under criteria which, in any case, will be aligned with the Company's interests, so that its accrual and effectiveness periods do not result in remunerations for this concept which are not consistent with the Company's economic situation when they become effective.

Wilful misconduct or serious negligence of duties as executive Directors shall result in the loss of the contributions made by the Company, appreciated by resolution adopted by the Board of Directors.

As a form of variable remuneration, these discretionary pension benefits shall be subject to deferral and shall be paid partially by the above mentioned instruments. Also, these will be subject to malus and clawback clauses.

As a general rule, discretionary pension benefits shall be linked, as event giving rise to them, to access to retirement.

- *Others*

A health insurance shall be subscribed for executive Directors, with the usual coverage and consideration and adapted to the Company's situation.

- **Payments for early termination of contracts**

Payments made due to early termination, when applicable, of the contracts of executive Directors due to circumstances not attributable to them shall be reasonable and proportional.

The compensation amount shall be referred to the annual fixed cash remuneration set for the performance of executive functions, according to the number of annuities or fractions determined by Unicaja Banco's Board of Directors, not exceeding two years. Such compensation shall decrease over time, according to the time passed until the moment of the eventual early termination and subject, in any case, to the applicable regulations, being related to the period of office.

To that end, the amount of the compensation shall be calculated by applying a factor (from 0 to 1, which will be closer to 1 during the first years of tenure and to 0 in the final years) to a base amount which, as it has been said, shall be linked to the annual fixed cash remuneration set for the performance of executive functions of the corresponding executive Director, according to the number of annuities or fractions determined by the Board of Directors of Unicaja Banco, not exceeding two years. Both the compensation obligations assumed by the Company towards the executive Directors, when applicable, and the method for calculation of its specific amount shall be reflected on the contract which, according to Article 249.3 of the Corporate Enterprises Act, shall be entered into with the executive Director in question.

In any case, early termination compensations shall be subject to the limitations and restrictions applicable from time to time to credit institutions.

- **Malus and clawback clauses**

Without prejudice to the application of the general principles of law in relation to contracts, the overall variable remuneration shall be eliminated or shall decrease considerably when there is a negative –or poor- financial performance of Unicaja Banco, taking into account both the current remuneration and the reductions in the pay out of previously accrued amounts, if any, through malus or clawback clauses.

In this sense, up to 100% of the overall variable remuneration shall be subject to malus clauses when there is a poor financial performance, either of the Company as a whole or of any specific Direction or Unit, whose action is relevant in the terms established in the corresponding variable remuneration plan.

Additionally, the variable remuneration already paid, in cash or in instruments as those identified in this Policy, shall be subject to clawback if, during the term set in the corresponding variable remuneration plan, there is a poor financial performance in the terms stated in the preceding paragraph, directly attributable to the Director, as well as in the cases of fraud or other willful misconduct or serious negligence which may cause significant losses.

### **3.2. Other related aspects**

In addition to the remuneration corresponding to each Director, as per that established in this Policy, they shall be entitled to the reimbursement of any reasonable expense duly justified and directly related to the performance of their positions.

The Company shall also subscribe a civil liability insurance for its Directors under the usual conditions and proportional to the circumstances of the Company.

### **3.3. Remuneration of the Directors of Unicaja Banco, S.A.**

Pursuant to the criteria described above, this section details the remunerations of Directors for the three-year period 2018-2020, with regard both to the annual maximum amount and to its main components.

#### **3.3.1. General remuneration of Directors**

Subject to approval by the General Meeting of Shareholders to which this Policy is submitted, the maximum amount of the annual remuneration to be paid to the whole of Directors acting in their capacity as such will amount to 950,000 euros gross. The said amount shall be updated for the years 2019 and 2020 as per the salary review set by the collective agreement applicable to the Company's employees. In any case, the fixed allowance for belonging to the Board shall be 45,000 euros gross.

This maximum amount will remain in force until its amendment is resolved by the General Meeting of Shareholders.

#### **3.3.2. Remuneration of Directors for the performance of executive functions**

Additionally, executive Directors shall receive remuneration for the performance of executive functions, as per that set below and corresponding to that agreed in their respective contracts with the Company.

It is expressly noted that as at the date of this Policy, only three Unicaja Banco's Directors (Executive Chairman, CEO and Executive Deputy Chairman) perform executive functions and, therefore, are entitled to the additional remuneration referred to in this section and under the terms herein indicated. However, it is also noted that the tenure of the Executive Deputy Chairman will end on the date of holding of this General Meeting where this present Policy is presented for approval, so he will not receive any remuneration after that date.

The same conditions herein described for the current Executive Chairman and CEO would be applicable to other persons who may hold those positions, unless its amendment is resolved by the General Meeting.

##### - Annual fixed remuneration

##### *a) Annual fixed salary*

Executive Directors, in addition to the remuneration referred to in section 3.3.1. above, shall be entitled to receive, for the performance of executive functions, an annual fixed salary.

In particular, the Executive Chairman has agreed an annual fixed remuneration in cash of 588 thousand euros and has not a variable remuneration scheme or compensation clause due to



termination. The CEO has an annual fixed remuneration in cash of 511 thousand euros, as well as a variable remuneration system which may reach up to 25% of the annual fixed remuneration in cash; he has also a compensation clause, as defined below. The mentioned annual fixed salaries of the Executive Chairman and the CEO for the financial year 2018 shall be updated, for the financial years 2019 and 2020, as per the salary review percentage set in the collective agreement applicable to the Company employees.

The Executive Deputy Chairman has an annual fixed remuneration set in 306 thousand euros for 2018, of which he will receive the proportional part until the effective end of his tenure, as indicated above. He has no variable remuneration scheme or clause for compensation due to severance.

*b) Other fixed instruments of remuneration*

In addition to the provisions of section a) above, in accordance with the contractual conditions, executive Directors are entitled to (i) benefit from defined contribution plans (which, as said before, include both fixed and variable components) and (ii) the coverage of a health insurance assumed by the Company.

- Variable remuneration

The parameters used to set, where applicable, the variable components of the remuneration of executive Directors, which adjust to the remuneration scheme foreseen in section 3.1.2. above, are:

- Pay-out of incentives shall be linked in a balanced manner to compliance with the strategic objectives included in the Business Plan in force in the Company and to the compared profitability (ROE) of Unicaja Banco vis-à-vis that of the rest of the System.
- The variable remuneration shall be affected by changes in the Company's result, being adjusted to all kind of current and future risks, taking into account the necessary cost of capital and liquidity, what may result in the variable remuneration reducing to zero.
- If the short-term liquidity ratio is not achieved, the payment of the variable remuneration shall be deferred one year and, if the said ratio is not achieved in a second consecutive financial year, the said remuneration would be lost.
- The target-variables and metrics related to accrual, quantification and pay out of the variable remuneration of executive Directors are established and assessed annually by Unicaja Banco's Board of Directors, upon proposal of the Remuneration Committee, within the framework set out in this Policy.
- In particular, the variable remuneration shall be conditioned to, among other requirements, the Company, as at the end of the financial year in question, reaching the minimum recurring Profit Before Tax (*Beneficio antes de Impuestos, BAI*) determined in the Business Plan. If this minimum level of recurring BAI is reached, achievement of the target-variables foreseen in the incentive system of the executive Director in question shall be analyzed, taking into account: (i) the individual performance of the Director and (ii) the performance of the Company as a whole.

The only executive Director with a variable remuneration scheme is the CEO, as reflected in the contract entered into between him and the Company. In accordance with that contract,

the maximum amount of the variable remuneration scheme of the CEO for 2018 is 128 thousand euros; and for the years 2019 and 2020, the amount resulting from applying 25% on the amount of the updated annual fixed remuneration in cash.

- Welfare schemes

In terms of welfare schemes, as per that agreed in their respective contracts, executive Directors are entitled to an assistance component consisting of a defined contribution to saving schemes, in their favor, and instrumented in an insurance contract.

Maximum contributions for the period 2018-2020 amount, overall, to 1,391 thousand euros, with the following breakdown:

Position	Amounts in thousands euros		
	Year 2018	Year 2019	Year 2020
Executive Chairman	162	291	291
CEO	200	200	200
Executive Deputy Chairman	47	--	--

In any case, contributions to the subscribed insurances are subject to the limits and restrictions applicable from time to time to credit institutions.

- Compensation for early termination

In case of termination of the contractual relationship of executive Directors, they will be entitled to receive indemnifying remuneration, as agreed.

The compensation amount to be received shall depend on the moment of termination of the contractual relationship. In particular, and as stated in section 3.1.2. above, its exact amount shall be determined (i) taking as a reference the annual fixed remuneration in cash for the performance of executive functions by the executive Director in question and (ii) taking into account a degressive criterion. This way, if termination occurs at the end of the fourth year of tenure, the executive Director would not be entitled to any compensation.

As at this date, the only executive Director with this remuneration component is the CEO, as it is reflected in the contract that the Company has signed with him.

### 3.3.3. Maximum overall Directors' remunerations for 2018, 2019 and 2020

In light of the above, the maximum overall amounts of remuneration of Unicaja Banco's directors for the three-year period 2018-2020 will be:

	YEAR 2018	YEAR 2019	YEAR 2020
<i>Thousand euros</i>			
MAXIMUM ANNUAL AMOUNT DIRECTORS IN THEIR CAPACITY AS SUCH	950	950 (*)	950 (*)
FIXED SALARY EXECUTIVE DIRECTORS	1,198	1,099 (*)	1,099 (*)
VARIABLE CEO (MAX.)	128	128 (*)	128 (*)
PENSIONALITY	409	491	491
HEALTH INSURANCE	6	3	3
	<b>2,691</b>	<b>2,671</b>	<b>2,671</b>

(\*) Amount to be updated according to the salary review percentage set in the collective agreement applicable to the Company's employees.

#### 4. MAIN TERMS AND CONDITIONS OF THE COMMERCIAL CONTRACTS SIGNED BY THE COMPANY WITH THE EXECUTIVE DIRECTORS

In accordance with that stated above, as at the date of preparation of this Policy, there are only three Directors at Unicaja Banco with executive functions: Executive Chairman, CEO and Deputy Executive Chairman. However, and as it has been mentioned, in the case of the Executive Deputy Chairman, he will receive remuneration for the performance of executive functions until the date of holding the General Meeting to which this Policy is submitted, date on which his tenure will expire.

The terms of the provision of services by each of Unicaja Banco executive Directors are regulated in the contracts entered into by each of them and the Company.

The main terms and conditions of the mentioned contracts with the Company's executive Directors are:

- Remuneration amounts and concepts: those indicated in section 3.3.2.
- Term: 4 years, due to nature of the Company as a listed company, with regard to the Chairman and the CEO. In the contract of the Executive Deputy Chairman, signed in 2011, a term of 6 years was set, and tenure will end on holding of the Annual General Meeting of Shareholders of 2018.
- Compensation for termination of the contractual relationship: the contracts of the Executive Chairman and of the Executive Deputy Chairman do not foresee any compensation for early termination of the contractual relationship, whereas the contract with the CEO includes the compensation system described in this Policy.
- Exclusivity agreements:
  - Executive Chairman: he will be allowed to attend to the professional responsibilities in his own companies or in those participated by this family and in non-profit organizations, provided that those activities do not undermine or hinder the exercise of his responsibilities in Unicaja Banco or its Group, avoiding any kind of conflict of interests with the Company or the Group.

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- Executive Deputy Chairman: until the end of his tenure on the date of the Annual General Meeting of Shareholders, he will be allowed to attend to the professional responsibilities in his own companies or in those participated by this family and in non-profit organizations, provided that those activities do not undermine or hinder the exercise of his responsibilities in Unicaja Banco or its Group, avoiding any kind of conflict of interests with the Company or the Group. In particular, he will be allowed to reconcile his position with other executive positions in the companies of the Group.
- CEO: exclusive dedication, compatible only with membership of governing bodies of other institutions and entities, provided that the said membership is in representation of the Company and/or with its express authorization.

Expressly, he will be allowed to attend to professional responsibilities in his own companies, provided that they do not concur with the activity of the Bank or its Group, and they do not undermine or hinder the exercise of his responsibilities in those, avoiding any kind of conflict of interest.

- Post-contractual non-concurrence agreements:
  - Executive Chairman and Executive Deputy Chairman: not established.
  - CEO: 12 months.
- Permanence or loyalty agreements: not established.

## **5. VALIDITY PERIOD OF THE POLICY FOR THE REMUNERATION OF THE DIRECTORS OF UNICAJA BANCO, S.A.**

This Policy, and the remuneration amounts in section 3.3.3., shall be applicable to determine the remuneration of the Directors of Unicaja Banco during the financial years 2018, 2019 and 2020. In particular, the approval of this present Policy by the General Meeting of Shareholders of the Company involves the approval of the remuneration to be received by the executive Directors of Unicaja Banco and linked to the performance of their executive functions in the amounts and for the different concepts included in section 3.3.2.

The remuneration conditions set in this present Policy will also be applicable in the case of a vacancy among the executive Directors, to any new executive Director appointed in the Company (or to those Unicaja Banco Directors who are assigned executive functions) while this Policy is in force. For that purpose, a fixed remuneration shall be set, with components equivalent to those in this Policy. Likewise, the variable remuneration scheme and the basic structure of contract in this Policy will be applicable to the possible new Directors.

The overall remuneration to be received by the possible new executive Director shall be integrated into the maximum amount set by the General Meeting from time to time.

Any amendment or replacement of this present Policy during its validity term shall require the previous approval by the General Meeting of Shareholders.