

**ANNUAL REPORT OF THE
APPOINTMENTS COMMITTEE OF
UNICAJA BANCO, S.A.**

ANNUAL REPORT 2017

Málaga, March 2018

1.	INTRODUCTION	3
2.	REGULATION	3
3.	COMPOSITION	3
4.	FUNCTIONS AND DUTIES CARRIED OUT	4
5.	MEETINGS HELD	6
6.	SIGNIFICANT ACTIVITIES CARRIED OUT	6
	• Succession Policy	6
	• Policy for the Suitability Assessment of the members of the Board of Directors, General Managers and Similar Officers and other Key Staff for the Development of the Financial Activity (Suitability Assessment Policy)	7
	• Process to select candidates and assess the suitability of the members of the Board of Directors and related matters	8
	• Processes to select candidates and assess the suitability of the Key Staff.....	10
	• Report on the assessment of the operation of the Board of Directors, its Committees and certain positions.....	10
	• Training Plan for Directors	10
	• Resolutions on governance in relation to the IPO	11
	• Other matters	11
7.	ASSESSMENT OF THE COMMITTEE OPERATION AND PERFORMANCE	11
8.	CONCLUSIONS	12
9.	DISCLOSURE	12
10.	PREPARATION AND APPROVAL	12

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

1. INTRODUCTION

Article 32.11 of the Board of Directors Regulations of Unicaja Banco, S.A. (hereinafter, “Unicaja Banco”, the “Company” or the “Institution”) establishes that the Appointments Committee (hereinafter, the “Committee”) shall submit annually to the Board of Directors a report on its operation.

This present **Annual Report of Operation of the Appointments Committee**, corresponding to the financial year 2017, is prepared pursuant to the said provision.

2. REGULATION

This Committee is set up within Unicaja Banco under the provisions of Article 31 of the Spanish Law 10/2014 of 26 June, on ordering, supervision and solvency of credit institutions, mandatorily separated from the Remuneration Committee, in compliance with Norm 26 of the Bank of Spain Circular 2/2016, of 2 February, to credit institutions, on supervision and solvency.

As the Company became publicly listed on 30 June 2017, it is also subject to corporate enterprises regulations.

Article 529 *terdecies* of the Consolidated Text of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*) establishes that listed companies shall set up, at least and among others, an Appointments Committee, with the minimum composition and functions indicated in Article 529 *quindecies* of the said Act.

Unicaja Banco’s Appointments Committee internal regulation is included in Article 27 of the corporate Bylaws and in Article 32 of the Board of Directors Regulations, which define in detail, among others, its composition, operation and competences.

The Bylaws and the Board of Directors Regulations, which are available at the Company’s corporate website (www.unicajabanco.com), have been amended during the financial year 2017, within the framework of the process to become publicly traded, for a better adaptation to the regulatory requirements and corporate governance practices of listed companies.

3. COMPOSITION

As at 31 December 2017, the Committee composition was:

Table 1

Director	Position	Category	Appointment date
Mr. Victorio Valle Sánchez	Chairman	Independent	26/03/2015
Mr. Eloy Domínguez-Adame Cobos	Director	Independent	18/02/2016
Mr. Antonio López López	Director	Other external	18/02/2016
Mrs. Petra Mateos-Aparicio Morales	Director	Independent	27/07/2017

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

Director	Position	Category	Appointment date
Mr. Agustín Molina Morales	Secretary	Proprietary	26/03/2015

During 2017, the Committee composition has grown from four to five members, with the incorporation of Mrs. Petra Mateos-Aparicio Morales as new Director. The said incorporation was effective once the corresponding resolution was adopted at the Board of Directors meeting held on 31 May 2017. The first Committee meeting attended by Mrs. Mateos-Aparicio was that held on 28 July 2017.

All the Committee members are Directors with non-executive functions at the Company and, as shown in Table 1, the majority of them, including the Chairman, are independent Directors.

The Committee members have been appointed based on their knowledge, experience and skills needed for the functions to be performed.

In light of the above, the Committee composition meets the requirements set out by the regulations.

The professional profile of this Committee's members, as that of the rest of Company directors, can be consulted on the Company's corporate website (www.unicajabanco.com).

4. FUNCTIONS AND DUTIES CARRIED OUT

The Committee, throughout the financial year 2017, has carried out all the functions that the regulations applicable to the Company at any time reserve to this body, as well as in the internal regulations, providing support to the Board of Directors in its duties to assess suitability, in particular, of Directors and of the Board as a whole, to appoint members of the Subject Group (*Colectivo Sujeto*) and to assess the operation of the Board of Directors, its Committees and certain positions, in the terms explained below.

The mentioned Subject Group is composed by:

- a. Members of the Institution's Board of Directors (currently, all of them natural persons).
- b. Key Staff (*Personal Clave*), composed by:
 - i. General Directors and similar officers. For these purposes, similar officers to General Directors will be:
 - Those persons who perform senior management functions at the Institution and report directly to its governing bodies or CEOs.
 - Those persons who, meeting the previously stated reporting requirements, limit their senior management functions to a specific area of activity, provided that they are integrated into a management organizational structure which assumes to the highest level the daily management of the institution.
 - Those persons with a senior management employment contract subject to the Spanish Royal Decree 1382/1985, of 1 August, regulating the employment relationship of special nature of senior management staff.

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

- ii. Other key staff for the daily development of the Institution's financial activity. This includes the members of the Management Committee, those in charge of internal control functions and those in charge of other functions as considered by the Board of Directors.

On the other hand, the functions of this Committee are established in Article 32 of the Board of Directors Regulations:

- (a) To assess the competencies, diversity, balance of knowledge and experience required in the Board. For those purposes, it will define the functions and skills to be fulfilled by the candidates to cover each vacancy, and will assess the dedication required for the good performance of their duties.
- (b) To identify and recommend, via the relevant corresponding report, in the case of executive and proprietary Directors, or to propose, in the case of independent Directors, candidates to cover the vacancies of the Board, with a view to approval by the Board of Directors or by the General Meeting.
- (c) To assess regularly, and at least once a year, the structure, size, composition and performance of the Board of Directors, making recommendations to it regarding possible changes.
- (d) To assess regularly, and at least once a year, the suitability of the different members of the Board of Directors and of the board as a whole, and to report to the Board of Directors accordingly.
- (e) To ensure that non-executive Directors have enough time availability for the correct performance of their functions.
- (f) To review regularly the Board of Directors' policy on selection and appointment of Senior Managers and to make recommendations in relation to it.
- (g) To inform of the appointment and separation proposals of Senior Managers, as well as of the basic conditions of their contracts.
- (h) To examine and to organize the succession of the Chairman of the Board of Directors and, if applicable, of the Company's first executive, making proposals to the Board so that the said succession takes place orderly and as planned.
- (i) To review annually the compliance with the policy for the selection of Directors and to inform on that in the Annual Corporate Governance Report.
- (j) To establish a goal for representation goal of the less-represented gender on the Board of Directors and to develop guidance on how to achieve that goal.
- (k) To inform of the appointments of the Vice-Chairs of the Board, of the Chief Executive Officer, the Leading Director and the Committee's Chairs.
- (l) To inform of the appointment and removal of the Secretary and Vice-Secretary of the Board of Directors.

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

5. MEETINGS HELD

In accordance with that established in the Board Regulations, the Committee must meet as often as determined by the Committee itself, and anytime it is called by its Chairman or requested by two of its members. During the financial year 2017, the Committee has held 16 meetings, 100% of which were attended by all its members in person.

All the Committee meetings have been duly called in advance, and its members have been provided with the appropriate documents related to the items on the meetings' agenda, through the documentary support tool that the Institution has enabled for the members of the Board of Directors.

The length of the Committee meetings has varied depending on the items discussed, but always ensuring that there is time enough to deal with the different items with the necessary detail. There has been an active participation and exchange of the different views of the Committee members in all the meetings.

Minutes have been drawn up for all the meetings held, and these have been unanimously approved. The minutes follow the agenda of each meeting, including in detail the items discussed and the resolutions approved. The Committee Chairman informs the Board of Directors of the topics addressed and conclusions reached, in the immediately following meeting. The minutes are at the disposal of the Board of Directors.

The Committee may require executive directors, members of the management team or other staff that it deems appropriate to attend the meetings. During the year, the Committee has maintained fluent and frequent contact with the Company's management team. The General Director of General and Technical Secretariat attends all the meetings and during all the session. The Head of Legal Advice and the Head of Strategy and Policy for Appointments, Remunerations and Training – Human Resources Management often attend the meetings to speak on the topics for which they are required.

6. SIGNIFICANT ACTIVITIES CARRIED OUT

During the year 2017, the Appointments Committee has submitted to the Board of Directors, for approval, a set of proposals in relation to different topics. The following are the main matters addressed by the Committee:

Succession Policy

Unicaja Banco's Succession Policy, whose preparation started during the financial year 2016, was approved by the Board of Directors at the meeting held on 24 March 2017.

This Policy sets out a succession procedure for all the members of Unicaja Banco's Subject Group, under criteria of effectiveness and orderly succession, proportionality, transparency and information, impartiality and diversity, composition covering a wide range of profiles and coherence with other supervisory processes, in accordance with that established in the "Policy for the Suitability Assessment of the members of the Board of Directors, General Managers and Similar Officers and other Key Staff for the Development of the Financial Activity of Unicaja Banco" (hereinafter, "Suitability Assessment Policy"), and in the "Policy for the Selection and Appointment of Directors" of the Institution. The

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

mentioned Policy includes the measures to be taken in order to cover a potential need for succession.

It has been prepared with the collaboration of an external consultant and a headhunter, taking into account the national and international regulatory context, the ECB (Banking Supervision) supervisory expectations and the best market practices.

Policy for the Suitability Assessment of the members of the Board of Directors, General Managers and Similar Officers and other Key Staff for the Development of the Financial Activity (Suitability Assessment Policy)

The Suitability Assessment Policy currently in force, which was approved by the Board of Directors on 28 July 2017, updates the Policy approved by the Board on 10 November 2016 and in force until that moment, for a better adaptation to the new recommendations of the European Central Bank (Banking Supervision) on that subjects and to organizational adjustments made at the Institution. The adaptations only affected the suitability regime of Directors.

The purpose of this Policy is to establish the criteria and systems that Unicaja Banco shall have to take into account, in general, in the selection and ongoing assessment process of the positions subject to the suitability regime, that is, the Subject Group defined in section 4 of this report.

Consequently, all the selection and suitability assessment processes carried out during the financial year -and detailed below- have been developed in accordance with the provisions of the Policy in force at any time.

The Policy includes, in any case, the obligation for the Appointments Committee to inform the Board of Directors of its application, at least annually. Thus, the Committee, at its meeting held on 26 January 2017, launched the process for the internal assessment of the application of the said Policy corresponding to the year 2016. The resulting report was approved by the Committee at the meeting held on 23 February 2017, concluding that its application during 2016 was carried out in accordance with the established criteria and principles.

The Policy determines too that the assessment of the Subject Group is a dynamic process, so it establishes a monitoring and control system which ensures the update of all the assessed fields and which is carried out, at least, annually, provided that a re-assessment has not been initiated.

This way, in 2017, a process to update the suitability assessment of the members of the Subject Group was carried out, and the Committee prepared a report on the said assessment on 23 March 2017. This report concluded that all the members of the said group maintained the features and circumstances that made them to be qualified as suitable after the initial assessment procedure. Such suitability, in addition, was reinforced by the training received during 2016 and the higher degree of knowledge, experience and skills resulting from the continuity in the performance of their respective functions.

Likewise, the Appointments Committee has maintained updated the composition of the Subject Group. As at the date of preparation of this report, the Subject Group is composed by 26 persons.

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

Process to select candidates and assess the suitability of the members of the Board of Directors and related matters

During this year, several processes for the selection of candidates and suitability assessment of the members of the Board of Directors have taken place.

Incorporation of a Board member with a profile specialized in internal audit

At the beginning of the year, and with the collaboration of a headhunter, the search of a candidate specialized in internal audit commenced and the Appointments Committee proceeded to the corresponding interviews. This process ended with the selection of one of the interviewed candidates, Mrs. Isabel Martín Castellá, based on her training and broad experience in the field of internal audit.

On 23 February 2017, the Committee carried out the corresponding suitability assessment, considering the candidate as suitable and submitting a proposal to appoint her as an independent Director. The said proposal was validated by the Board of Directors, in its meeting of 24 February, and approved by the General Meeting of Shareholders on 26 April 2017.

This appointment, with the category of independent and for the statutory term, received the corresponding regulatory authorizations, from the Bank of Spain and the European Central Bank within the framework of the Single Supervisory Mechanism.

Ratification of the appointment by co-option of a Board member

On 23 February 2017, the Appointments Committee reported favourably on the proposal to ratify the appointment by co-option as member of Unicaja Banco's Board of Directors, made by the Board of Directors, of the current CEO of the Company, Mr. Enrique Sánchez del Villar Boceta.

The Board, in turn, submitted the proposal to the General Meeting of Shareholders which, at its meeting held on 26 April 2017, ratified the designation and appointed him as a director, with the category of executive. This appointment also received the pertinent regulatory authorizations above mentioned.

Modification of the status of a member of the Board of Directors

At the meeting held on 30 May 2017, the Committee submitted to the Board the proposal to modify the status of the Company's Director, Mrs. M^a Luisa Lombardero Barceló, as she was holding simultaneously the position of CEO of the subsidiary Banco de Caja España de Inversiones, Salamanca y Soria, S.A. (hereinafter, "Banco EspañaDuero"), from "Proprietary" to "Executive": This proposal was approved by the Board on 31 May.

Appointment by co-option of a Board member

In light of a potential vacancy at the Board of Directors of Unicaja Banco, due to the CEO of EspañaDuero having expressed her willingness to voluntarily resign from her position in order to allocate full dedication to the operational integration and merger of the subsidiary into the parent, Fundación Bancaria Unicaja, as a shareholder with the right to propose the appointment of candidates to Directors because of its stake in Unicaja Banco's capital share,

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

requested the appointment as Unicaja Banco's Director of Mr. Manuel Muela Martín-Buitrago, Non-executive Chairman of the subsidiary Banco EspañaDuero, for when a vacancy may arise.

Consequently, the Committee started the suitability assessment process for the candidate, as well as that of the Board as a whole considering the resulting composition after his possible incorporation. On 29 August 2017, the Committee considered that the candidate was suitable and concluded that, with his incorporation, the Board would be suitable, both individually and as a whole, for the performance of its functions, and it would have the effective capacity to make decisions in an independent and autonomous manner, in benefit of the Institution, covering all the necessary specialization areas.

Finally, once the pertinent regulatory authorizations were obtained and following the vacancy in the Board due to the resignation of Mrs. Lombardero from her position of Director, Mr. Muela was appointed Director by co-option, under the resolutions adopted by the Board in its meeting of 21 February 2018. The Board of Directors shall submit to the Annual General Meeting of Shareholders in 2018 the ratification of this appointment by co-option and his re-election as Director with the status of proprietary.

Activation of the Succession Plan

During this year, the Appointments Committee has carried out the activation of the Succession Plan to cover the vacancies in the Board expected for December 2017 and January 2018, due to the end of tenure of several Directors.

It also approved a proposal for the structure of the Board of Directors of Unicaja Banco, S.A., with a composition of thirteen members with the following distribution as per the director category:

- Two executive Directors.
- Five proprietary Directors.
- Six independent Directors.

The implementation of the Succession Plan has been driven -starting from the individual and collective suitability of the resulting Board- by the general criterion of promoting diversity in gender, experience and knowledge in the Board composition.

Regarding the selection of independent Directors, the Committee proceeded, with the collaboration of a headhunter, to search candidates with certain specialized profiles, and the Appointments Committee proceeded to interview them. In order to maintain certain continuity in the Board and based on the remarks made by the headhunter, the Committee proposed the renewal of two independent Directors.

In relation to proprietary Directors, the Appointments Committee received the proposal for candidates to proprietary Directors made by Fundación Bancaria Unicaja, as a shareholder with the right to propose the appointment of candidates to Directors, due to its stake in the share capital of Unicaja Banco.

Additionally, the Committee, in light of the future composition of the Board of Directors of Unicaja Banco, S.A., considered that the Board, both individually and as a whole, would be suitable for the performance of its functions and that it would have capacity to make decisions in an independent and autonomous manner in the interest of the Institution, as well

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

as the different necessary specialization areas would be duly covered. The Board submitted the corresponding proposals to the European Central Bank (Banking Supervision) to obtain the pertinent regulatory authorizations.

Processes to select candidates and assess the suitability of the Key Staff

During the first half of 2017, the Committee developed a selection process for a Management position, with the collaboration of a headhunter. During this process, the Committee interviewed several candidates and it selected one based on his profile, which was considered suitable for the performance of the position. The Committee submitted the proposal to the Board of Directors, which approved the appointment on 28 June 2017.

The Committee has issued during this year three favourable reports and proposals to appoint candidates of the Identified Group.

Report on the assessment of the operation of the Board of Directors, its Committees and certain positions

The Board of Directors, in its meeting held on 19 February 2016, approved the system for the assessment of the organization and operation of the Board of Directors, its Committees and certain positions. This assessment must be carried out annually by the Appointments Committee, as provided in the external and internal regulations and which, following the recommendations on good corporate governance, must be assisted, at least every three years, by an external consultant.

At the meeting held on 26 January 2017, the Committee launched this mentioned process for the assessment of the operation of the Institution's governing bodies, requesting the collaboration of a headhunter as independent expert. The Leading Director participated in the process of the periodic assessment of the Chairman of the Board of Directors.

On 30 May, the Appointments Committee submitted to the Board of Directors the report on the assessment of the operation, during the year 2016, of the Board, its Committees and certain positions, and it was approved on 31 May. The said report concluded that the assessment of the organization and the operation of the Board of Directors, its Committees and certain positions, corresponding to the year 2016, was satisfactory, indicating, as a suggestion for improvement, the convenience of optimizing the structure and systematic of the information presented to the Board.

With regard to the assessment report corresponding to the year 2017, the Committee approved, in its meeting held on 21 December 2017, the launch of the process with internal resources.

Training Plan for Directors

The Committee was informed, in the meeting of 26 January 2017, of the proposed "Training Plan" for the members of the Board of Directors for the year 2017, incorporating the modifications suggested by the members of the Committee and leaving open the possibility to add new subject and training activities deemed appropriate.

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

In this sense, the Suitability Assessment Policy referred to in a previous section establishes that the specific training needs of the members of the Subject Group will be reviewed annually, and that a specific training plan will be developed for the Board of Directors, and another reinforced one for the members of the Audit and Regulatory Compliance and Risk Committees.

With regard to the members of the Board of Directors, special attention has been paid to the areas of regulation, strategic projects, financial risk and corporate governance, as well as the area of new technologies and development of future business models, to allow them to properly understand the risks of the decisions they must consider, and to participate actively in the Board deliberations.

Resolutions on governance in relation to the IPO

Within the framework of the IPO, the Board of Directors, in its meeting held on 24 March 2017, approved the amendment of the Board of Directors Regulations, for a better adaptation to the regime set out in the Corporate Enterprises Act for listed companies and to the recommendations of the Good Governance Code. Among the amendments introduced in the Regulations, it was stated that the Committees should be composed by a majority of independent Directors.

Thus, the Appointments Committee informed favourably on 30 May 2017 on a new composition of the Board committees, to adapt them to the provisions of the norm. This was approved by the Board of Directors at their meeting of 31 May 2017. The composition can be consulted on the corporate website.

Other matters

At the meeting held on 26 January 2017, the Committee prepared the “Annual Report 2016” of the Committee, verifying the launch of all the initiatives projected in the Action Plan for that financial year, and the Action Plan for 2017.

Finally, the Board of Directors approved, on 22 December 2017 and upon proposal by the Appointments Committee, the constitution and composition, for the purposes of the Technical Guide 4/2017 of the Comisión Nacional del Mercado de Valores, in relation to MiFID II, of the Committee on Knowledge and Skills of the staff in information and advice on investment services.

7. ASSESSMENT OF THE COMMITTEE OPERATION AND PERFORMANCE

The Board of Directors, with the coordination of the Appointments Committee, carries out an annual assessment of the organization and operation of the Board of Directors, its Committees and certain positions, so as to make recommendations and, if applicable, possible changes.

In particular, in relation to the different support Committees, the following aspects are assessed:

- Size, composition and structure.
- Organization and operation.
- Information to the Committee.
- Committee Chairman.
- Committee Secretary.

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.

At the meeting held on 20 March 2018 and in light of the analyzed information following the completion of questionnaires by each of the Committee members, the Appointment Committee has favourably assessed its operation quality and efficiency during the year 2017.

The Committee has concluded that it has a sufficient number of members and that its composition is appropriate in terms of the category of its members, as well as with regard to their knowledge and experience. Furthermore, in the assessment process, the number and frequency of meetings has been positively valued, with the conviction that they have been enough for the effective performance of its functions, and that information enough has been made available to address the items on the agenda of the meetings, with the necessary advance and via the appropriate media.

As a result of the assessment, the Committee considers that the Chairman leads properly the discussions and deliberations, promoting debate and active participation of the members, and that the Secretary addresses properly the questions he receives, duly and correctly reflecting discussions and resolutions adopted in the meetings.

8. CONCLUSIONS

All the activities reported above have allowed the Appointments Committee to appropriately comply with the functions, obligations and responsibilities that it has been assigned under the applicable internal and external regulations.

9. DISCLOSURE

Following Recommendation 6 of the Good Governance Code of Listed Companies, this present report shall be published on the Institution's corporate website (www.unicajabanco.com) prior to holding the Annual General Meeting of Shareholders.

10. PREPARATION AND APPROVAL

This present Report has been prepared by the Remuneration Committee, at the meeting held on 20 March 2018, and approved by the Board of Directors at their meeting of 21 March 2018.

This English version is a translation of an original document in Spanish for information purposes only. In case of discrepancy between both texts, the Spanish original will prevail.