

**REPORT PREPARED BY THE BOARD OF DIRECTORS OF UNICAJA BANCO, S.A., DATED 21 MARCH 2018, ON THE PROPOSAL TO AMEND THE COMPANY'S BYLAWS REFERRED TO IN ITEM 6 OF THE AGENDA OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS TO BE HELD ON 26 APRIL 2018, ON FIRST CALL, AND, IF THE SUFFICIENT QUORUM IS NOT REACHED, ON SECOND CALL ON 27 APRIL 2018**

**1.- PURPOSE OF THE REPORT**

This report is prepared by the Board of Directors of Unicaja Banco, S.A. (the *Company*) to justify the proposal to amend the Company's Bylaws submitted to approval at the General Meeting of Shareholders under item 6 of the Agenda, and in compliance with the provisions of article 286 of the Spanish Corporate Enterprises Act (*Ley de Sociedades de Capital*), which requires the members of the Board of Directors –authors of the proposal to amend the bylaws- to draft a written report justifying said proposal.

For a better understanding by the Company's shareholders, this document presents the purpose, justification and systematics of the said proposal, including a detailed explanation of it, as well as of the proposed resolutions submitted to approval by the General Meeting.

Also, for a better comparison between the current wording and the proposed wording for the affected articles, an Annex is attached to this report, for information purposes, with the current wording of the articles to be amended and the proposed new wording, highlighting the modifications with regard to the text currently in force.

**2.- JUSTIFICATION OF THE PROPOSAL TO AMEND THE BYLAWS**

The amendment proposed to the General Meeting affects, on the one hand, to the wording of Article 29 of the Bylaws and, on the other hand, to the three transitional provisions, for which derogation is proposed.

**2.1.- Article 29: amendment to Article 29(3)**

Article 29 of the Bylaws of Unicaja Banco refers to the remuneration regime of the Company's Directors.

Section 3 makes reference to the remuneration of Directors for the performance of executive functions. This section makes a distinction between the fixed, variable, assistance and compensation (in the case of severance or termination of the legal relationship with the Company not due to non-compliance attributable to the Director) components of remuneration.

An amendment to letter (b) of section 3 is proposed, which corresponds, in general, to variable remuneration of executive Directors.

The proposed amendment consists in the variable part being correlated to any indicator of the performance of the Director “*and*” of the Company, as opposed to the current wording, which, in its exact form links the remuneration to any indicator of the performance of the Director “*or*” of the Company.

Although the combined reading of Article 29(3)(b) of the Bylaws and of that provided in Article 34.1.a) of the Law 10/2014 of 26 June, on the ordering, supervision and solvency of credit institutions (“Where it is performance-related, total remuneration shall be based on a combined assessment of individual performance, considering both financial and non-financial criteria, and business unit and institution-wide performance”) results in the right to receive variable remuneration being doubly subject to the requirements of the Director and the general conditions of the credit institution and specific for its business units, the proposed amendment would avoid eventual interpretations differing with the tenor of the law.

## **2.2.- Article 29: addition of a new section 4**

Article 29, in its current wording, makes a distinction between the remuneration of Directors in their role as such –fixed allowance and attendance fees- (section 2), which affects all the Directors, and the specific remuneration of Executive Directors –referred to in the previous sub-section, then not reiterated in this section- (section 3), for the performance of executive functions.

With regard, in particular, to remuneration of Executive Directors, variable remuneration in shares, stock options or linked to the value of shares is not considered, a possibility which is advisable to consider, in line with the practices in the banking sector and in listed companies, and in light of the regulation on variable remuneration included in the rules for the ordering, supervision and solvency of credit institutions.

Consequently, the inclusion of a new section 4 in Article 29 of the Bylaws is proposed, to allow Executive Directors to be remunerated by the delivery of shares or stock options, or by remuneration linked to the value of shares, in line with the market practices and good governance recommendations.

The incorporation of this section 4 is understood without prejudice to compliance with the requirements for the effective reception of shares or stock options, or of remuneration linked to the value of shares, by the Directors who may be entitled to receive this kind of remuneration, such as the inclusion of the system in the policy for the remuneration approved by the General Meeting, the approval of a specific resolution by the General Meeting, compliance with the requirements set by the Board of Directors or the consideration of the said regime in the contract entered into with the Director in question.

The inclusion of this section 4 in Article 29 involves the need to re-number the current sections 4, 5 and 6, which would be, respectively, sections 5, 6 and 7.

### **2.3.- Derogation of the provisional transitions**

The amendment to the Bylaws approved the General Meeting of Shareholders on 26 April 2017 incorporates three transitional provisions to the Bylaws:

1. “Statutory provisions related to the status of listed company”, so that the provisions of the Bylaws exclusively related to the status of listed company of the Company would be effective only from the date of the official admission to trading of its shares in the Stock Exchanges via the electronic trading system (Sistema de Interconexión Bursátil, S.I.B.E.), and the matters object of the said provisions, with transitional status, being governed by that established in the Corporate Enterprises Act for non-listed companies.
2. “Duration of the term of office of Directors appointed before the amendment of article 17 of the Company Bylaws in the year 2016”, to specify that directors appointed before the amendment of article 17 of the Bylaws -which reduced the term of office from six to four years-, and before 1 January 2014, may complete the term of office of six years for which they were elected, even if they exceed the maximum term of four years.
3. “Statutory amendments subject to authorization by the Bank of Spain”, for the full effectiveness of the amendments to articles 9.3, 18.1, 30.4 and 31.3 of the Company Bylaws, approved by the Company’s General Shareholders’ Meeting, to be subject to administrative authorization by the Bank of Spain, and as long as the authorization was not granted, the previous wording of the said articles would remain in full force and would be binding for the Company’s shareholders.

Insofar as:

- the Company became publicly listed on 30 June 2017,
- the tenure of the Directors appointed in December 2011 and not affected by the new legal and statutory term of four years has expired in 2017 (without prejudice to the expiry of the appointment when, once the term of office has expired, the next General Meeting has been held and they have not been re-elected or the period to hold a General Meeting to resolve on the approval of the previous year accounts has expired) and,
- the amendment of the mentioned Articles of the Bylaws was eventually authorized by the Bank of Spain,

these three transitional provisions no longer serve a purpose, therefore they can be formally set aside, for what the agreement of the General Meeting of Shareholders is required.

### 3.- PROPOSED RESOLUTION TO THE GENERAL MEETING OF SHAREHOLDERS

A literal transcription of the full text of the proposed resolution submitted for approval of the General Meeting of Shareholders in relation to item 6 on the Agenda is attached below.

«6.1 Amendment of Article 29 of the Bylaws, which will read as follows:

*“Article 29. Remuneration of Directors.*

*1. The position of director is remunerated. The remuneration policy for Board Members shall be subject to approval by the General Meeting of shareholders on the same terms as those established for listed companies.*

*2. The remuneration of directors due to their role as such shall be composed of a fixed remuneration and of attendance fees for the meetings of the Board of Directors and its Committees. The maximum annual aggregate remuneration amount that all Directors receive due to their role as such shall be approved by the General Meeting and shall remain unchanged until its modification is approved. The distribution of the remuneration among the different directors shall be responsibility of the Board of Directors in the way that it determines, and it will take into account the duties and responsibilities allocated to each Director, their participation in Board Committees, the attendance to the meetings of the Board of Directors and its Committees and other objective circumstances which may be deemed relevant.*

*3. Executive Directors shall be entitled, too, to receive remuneration composed of: (a) a fixed part, adapted to the services and responsibilities assumed; (b) a variable part, correlated to any indicator of the performance of the Director and the Company; (c) an assistance part, covering the appropriate welfare and insurance systems; and (d) compensation in case of separation or any other way of termination of the legal relationship with the Company and which shall not be due to non-compliance attributable to the Director; all of that in accordance with the terms and conditions established in the corresponding contract that the executive director signs with the Company, according to the regulations in force.*

*Determination of the amount of the remuneration items comprising the fixed part, the manner of configuring and indicators for calculation of the variable part, the assistance provisions, and the compensation or the criteria for calculation thereof, also corresponds to the Board of Directors, taking into account the remuneration policy.*

*4. Executive directors, as a part of the variable remuneration system determined by the Board of Directors in accordance with the remuneration policy applicable from time to*

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*time, shall be entitled to be remunerated by the delivery of shares or stock options, or by remuneration linked to the value of shares.*

*The application of any of these remuneration modalities shall be previously agreed by the General Meeting of Shareholders, which shall determine the maximum number of shares that may be granted in each financial year, the strike price or the system for calculation of the strike price of stock options, the value of shares which, if applicable, will be considered as reference, and the period of duration of the plan.*

*5. Additionally, the Board Members shall be entitled to the reimbursement of any reasonable expense duly justified and directly related to the exercise of their position of Directors.*

*6. The Company shall take out a liability insurance for its Directors in the usual conditions and proportional to the circumstances of the Company itself.*

*7. In any case, the remunerations of the members of the Company's governing bodies shall be adjusted to the provisions which, on that matter, are established in the company and banking regulations."*

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## 6.2 Derogation of the Transitional Provisions of the Bylaws.

Full effectiveness of the agreed statutory amendments is subject to administrative authorization of the Bank of Spain, in accordance with the provisions of Article 4 of the Law 10/2014 of 26 June, on the ordering, supervision and solvency of credit institutions, and in Article 10 of the Royal Decree 84/2015 of 13 February, developing the mentioned Law 10/2014 of 26 June.»

This present report has been prepared and approved unanimously by the Directors attending the voting.

In Malaga, 21March 2018.

## ANNEX

### PROPOSAL TO AMEND THE BYLAWS OF UNICAJA BANCO, S.A.

CURRENT WORDING	NEW WORDING PROPOSED BY THE BOARD OF DIRECTORS
<p><b>Article 29. Remuneration of directors</b></p> <p>1. The position of director is remunerated. The remuneration policy for Board Members shall be subject to approval by the Annual General Meeting on the same terms as those established for listed companies.</p> <p>2. The remuneration of directors due to their role as such shall be composed of a fixed remuneration and of attendance fees for the meetings of the Board of Directors and its Committees. The maximum annual aggregate remuneration amount that all Directors receive due to their role as such shall be approved by the General Meeting and shall remain unchanged until its modification is approved. The distribution of the remuneration among the different directors shall be responsibility of the Board of Directors in the way that it determines, and it will take into account the duties and responsibilities allocated to each Director, their participation in Board Committees, the attendance to the meetings of the Board of Directors and its Committees and other objective circumstances which may be deemed relevant.</p> <p>3. Executive Directors shall be entitled, too, to receive remuneration composed of: (a) a fixed part, adapted to the services and responsibilities assumed; (b) a variable part, correlated to any indicator of the performance of the Director or the</p>	<p><b>Article 29. Remuneration of directors</b></p> <p>1. The position of director is remunerated. The remuneration policy for Board Members shall be subject to approval by the Annual General Meeting on the same terms as those established for listed companies.</p> <p>2. The remuneration of directors due to their role as such shall be composed of a fixed remuneration and of attendance fees for the meetings of the Board of Directors and its Committees. The maximum annual aggregate remuneration amount that all Directors receive due to their role as such shall be approved by the General Meeting and shall remain unchanged until its modification is approved. The distribution of the remuneration among the different directors shall be responsibility of the Board of Directors in the way that it determines, and it will take into account the duties and responsibilities allocated to each Director, their participation in Board Committees, the attendance to the meetings of the Board of Directors and its Committees and other objective circumstances which may be deemed relevant.</p> <p>3. Executive Directors shall be entitled, too, to receive remuneration composed of: (a) a fixed part, adapted to the services and responsibilities assumed; (b) a variable part, correlated to any indicator of the performance of the Director <del>or</del> and the</p>

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<p>Company; (c) an assistance part, covering the appropriate welfare and insurance systems; and (d) compensation in case of separation or any other way of termination of the legal relationship with the Company and which shall not be due to non-compliance attributable to the Director; all of that in accordance with the terms and conditions established in the corresponding contract that the executive director signs with the Company, according to the regulations in force.</p> <p>Determination of the amount of the remuneration items comprising the fixed part, the manner of configuring and indicators for calculation of the variable part, the assistance provisions, and the compensation or the criteria for calculation thereof, also corresponds to the Board of Directors, taking into account the remuneration policy.</p> <p>4. Additionally, the Board Members shall be entitled to the reimbursement of any reasonable expense duly justified and directly related to the exercise of their position of Directors.</p>	<p>Company; (c) an assistance part, covering the appropriate welfare and insurance systems; and (d) compensation in case of separation or any other way of termination of the legal relationship with the Company and which shall not be due to non-compliance attributable to the Director; all of that in accordance with the terms and conditions established in the corresponding contract that the executive director signs with the Company, according to the regulations in force.</p> <p>Determination of the amount of the remuneration items comprising the fixed part, the manner of configuring and indicators for calculation of the variable part, the assistance provisions, and the compensation or the criteria for calculation thereof, also corresponds to the Board of Directors, taking into account the remuneration policy.</p> <p>4. Executive directors, as a part of the variable remuneration system determined by the Board of Directors in accordance with the remuneration policy applicable from time to time, shall be entitled to be remunerated by the delivery of shares or stock options, or by remuneration linked to the value of shares.</p> <p>The application of any of these remuneration modalities shall be previously agreed by the General Meeting of Shareholders, which shall determine the maximum number of shares that may be granted in each financial year, the strike price or the system for calculation of the strike price of stock options, the value of shares which, if applicable, will be considered as reference, and the period of duration of the plan.</p> <p>4. 5. Additionally, the Board Members shall be entitled to the reimbursement of any reasonable expense duly justified and directly related to the exercise of their position of Directors.</p>
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<p>5. The Company shall take out a liability insurance for its Directors in the usual conditions and proportional to the circumstances of the Company itself.</p> <p>6. In any case, the remunerations of the members of the Company's governing bodies shall be adjusted to the provisions which, on that matter, are established in the company and banking regulations.</p> <p><b>Transitional provision 1. Statutory provisions related to the status of listed company</b></p> <p>The provisions in these Bylaws exclusively related to the status of listed company of the Company will be effective only from the date of the official admission to trading of its shares in the Stock Exchanges via the electronic trading system (Sistema de Interconexión Bursátil, S.I.B.E.), and the matters object of the said provisions, with transitional status, will be governed by that established in the Royal Legislative Decree 1/2010, of 2 July, approving the Consolidated Text of the Companies Act on non-listed companies.</p> <p><b>Transitional provision 2. Duration of the term of office of Directors appointed before the amendment of article 17 of the Company Bylaws in the year 2016</b></p> <p>Directors appointed before the amendment of article 17 of the Bylaws, which reduces the term of office from six to four years, and before 1 January 2014, may complete the term of office of six years for which they were elected, even if they exceed the maximum term of four years set forth now in article 17.</p> <p><b>Transitional provision 3. Statutory amendments subject to authorization by the Bank of Spain</b></p>	<p><del>5.</del> 6. The Company shall take out a liability insurance for its Directors in the usual conditions and proportional to the circumstances of the Company itself.</p> <p><del>6.</del> 7. In any case, the remunerations of the members of the Company's governing bodies shall be adjusted to the provisions which, on that matter, are established in the company and banking regulations.</p> <p>Without content, as it will be derogated.</p> <p>Without content, as it will be derogated.</p> <p>Without content, as it will be derogated.</p>
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<p>The full effectiveness of the amendments to articles 9.3, 18.1, 30.4 and 31.3 of the Company Bylaws, approved by the Company's General Shareholders' Meeting, is subject to administrative authorization by the Bank of Spain, pursuant to article 4 of the Law 10/2014 of 26 June, on the regulation, supervision and solvency of credit institution, and in article 10 of the Royal Decree 84/2015 of 13 February implementing the said Law 10/2014 of 26 June. As long as the authorization is not granted, the previous wording of the said articles will remain in full force and will be binding for the Company's shareholders.</p>	
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