



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

Financial year 2018

Malaga, March 2019

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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 2018, 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.

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, one Committee –or two separated committees- for remunerations and appointments, with the minimum composition and functions indicated in the mentioned Act. Article 529 *quindecies* of the said Act regulates its composition, operation and competences.

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 rules regarding its composition, operation and responsibilities are available on the Company's corporate website: www.unicajabanco.com.

3. COMPOSITION

As at 31 December 2018, the Committee composition was:

Director	Position	Category	Appointment date
Mrs. Ana Bolado Valle	Chairwoman	Independent	11/05/2018
Mr. Manuel Muela Martín-Buitrago	Secretary	Proprietary	11/05/2018
Mrs. M ^a Antonia Otero Quintas	Member	Independent	11/05/2018
Mr. Victorio Valle Sánchez	Member	Independent	26/03/2015
Mr. Juan Fraile Cantón	Member	Proprietary	11/05/2015

Due to the process of renewal of directors concluded on the Annual General Meeting of Directors held on 27 April 2018, the Board of Directors, at its meeting held on 11 May 2018, resolved to appoint Mrs. Ana Bolado Valle, Mr. Manuel Muela Martín-Buitrago, Mrs. M^a Antonia Otero Quintas, Mr. Juan Fraile Cantón and Mr. Victorio Valle Sánchez as members of this Committee. The Board of Directors, at the same meeting, resolved to appoint Mrs. Ana Bolado Valle and Mr. Manuel Muela-Martín Buitrago as Chairwoman and Secretary of the Committee, respectively.

All the Committee members are Directors without executive functions at the Company and, as shown in the table above, the majority of them, including the Chairwoman, 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 in force.

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

The Committee, throughout the financial year 2018, has carried out all the functions that the laws and the Bylaws reserve to this body, assisting the Board of Directors in its duties to assess the suitability of the Subject Group (*Colectivo Sujeto*), as well as to assess the performance of the Board of Directors, its Committees and certain positions, among other tasks, in the terms explained in section 6 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.
 - 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.

The functions of this Committee, established in Article 32 of the Board of Directors Regulations, and which incorporate those assigned to it by the laws and the Bylaws, are:

- (a) To assess the competencies, diversity, balance of knowledge and experience required in the Board of Directors. 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 Chair 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 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 Deputy Secretary of the Board of Directors.

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 Chairwoman or requested by two of its members. During the financial year 2018, the Committee has held 9 meetings, 100% of which were attended by all its members in person, with the duly justified absences of Mr. Eloy Domínguez-Adame Cobos from the meeting of 12 January 2018 and Mr. Antonio López López from the meeting held on 20 March 2018, who had delegated their representation to the Committee Chair in both cases.

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, with the exception of the meeting held on 11 May 2018, which was on the same date as the Board of the Directors meeting to renew the Board and Committee members. In the said meeting, the Committee was constituted, with universal nature, with the attendance and unanimous agreement of all its members.

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

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and the resolutions approved. The Committee Chairwoman 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 2018, the Appointments Committee has submitted to the Board of Directors, for approval, a set of proposals in relation to different topics within its remit. The following are the main matters addressed by the Committee:

Selection and appointment of directors

The Company finished in 2018 the Succession Plan activated in 2017 to cover the foreseen vacancies at the Board due to end of tenure of most of the Directors, including the position of Chair of the Board.

Within the framework of the said process of renewal of positions, the Appointments Committee has carried out the processes for the selection of candidates and the assessment of their suitability for their incorporation to the Board of Directors.

The selection, appointment and re-election processes have been carried out pursuant to the regime of incompatibilities, limitations, suitability, independence and absence of conflicts of interest of Directors, as well as to the capacity to dedicate enough time provided for in the regulations applicable to Credit Institutions.

For those purposes, the Company has observed the internal applicable regulations for the said procedures: Corporate Bylaws, Board of Directors Regulations, 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 Policy), Policy for the Selection and Appointment of Directors, Succession Policy and Procedure for the Assessment of the Performance of the Board of Directors, its Committees and certain positions.

The Appointments Committee has fostered and monitored all the process, seeking a balance between knowledge, capacity, diversity and experience of the Board of Directors. The Committee has also prepared a description of the functions and skills needed according to the needs of the management bodies. This new structure aims at a better compliance with corporate governance standards.

The Committee has been assisted by a headhunter in the process to select candidates for independent directors. The proposal of Directors pursued the following goals: i) incorporation of new professional profiles, such as technology, business and compliance; ii) increased presence of independent directors at the Board; iii) improvement of the diversity goals, especially in terms of gender and age. Thus, the Committee assessed the suitability of the proposed new independent Directors: Mrs. Ana Bolado Valle, Mr. Manuel Conthe Gutiérrez and Mrs. M^a Antonia Otero Quintas, as well as the suitability of the independent Directors Mr. Eloy Domínguez-Adame Cobos and Mr.

Victorio Sánchez Valle, whose re-election was proposed. All of them were considered suitable, thus submitting the corresponding appointment and re-election proposals to the Board of Directors.

In relation to proprietary Directors, the Appointments Committee has carried out the corresponding suitability assessments, considering as suitable the candidates proposed by the majority shareholder: Mr. Juan Fraile Cantón, Ms. Petra Mateos-Aparicio Morales, Mr. Agustín Molina Morales and Mrs. Teresa Sáez Ponte, in the favourable reports submitted to the Board of Directors.

Report on the re-election, ratification and appointment of directors for the Annual General Meeting 2018

The Committee, on 20 March 2018, in accordance with that established in the Corporate Enterprises Act, agreed to report favourably on the re-election of Mr. Manuel Azuaga Moreno as executive director; the re-election of Mr. Juan Fraile Cantón, Ms. Petra Mateos-Aparicio Morales and Mr. Agustín Molina Morales as proprietary directors; the ratification of the appointment by co-option made by the Board of Directors on 21 February 2018 of Mr. Manuel Muela Martín-Buitrago and his appointment as proprietary director (the Committee had assessed the suitability of Mr. Muela in 2017, as it was stated in the Report of the Appointments Committee corresponding to the said year); and the appointment of Mrs. Teresa Sáez Ponte as proprietary director. The Committee also agreed to report favourably and to propose the re-election of Mr. Eloy Domínguez-Adame Cobes and Mr. Victorio Valle Sánchez as independent directors, and the appointment of Mrs. Ana Bolado Valle, Mr. Manuel Conthe Gutiérrez and Mrs. M^a Antonia Otero Quintas as independent directors.

All the proposals for the re-election, ratification and appointment that the Board of Directors agreed to submit to the General Meeting of Shareholders were approved by the latter on 27 April 2018, and they received the corresponding regulatory authorizations, from the Bank of Spain and the European Central Bank, within the framework of the Single Supervisory Mechanism (SSM), and were duly registered at the Registro de Altos Cargos (*Register of Senior Managers*) of the Bank of Spain.

The Board of Directors' report on the re-election, ratification and appointments of directors, together with the reports and proposals prepared by the Appointments Committee, as well as the identity, CV and category of each director are available on the corporate website www.unicajabanco.com.

Suitability assessment of the positions of the Board of Directors and Committees and re-election of directors

Once the General Meeting adopted the corresponding resolutions, the Board of Directors proceeded to a reorganization in the composition and positions in the support Committees. The Appointments Committee carried out a suitability assessment of the proposals to appoint positions, proposed within the Board of Directors at the meeting held on 11 May 2018: Mr. Victorio Valle Sánchez as Deputy Chairman of the Board of Directors, Mrs. Teresa Sáez Ponte as Secretary of the Board of Directors, Mrs. Isabel Martín Castellá as Leading Director, Mr. Eloy Domínguez-Adame Cobos as Chairman of the Audit and Regulatory Compliance Committee, Mrs. Isabel Martín Castellá as Chairwoman of the Risk Committee, Mrs. Ana Bolado Valle as Chairwoman of the Appointments Committee, Mr. Manuel Conthe Gutiérrez as Chairman of the Remuneration Committee, and Mrs. M^a Antonia Otero Quintas as Chairwoman of the Technology and Innovation Committee.

Suitability assessment of the members and of the Board of Directors as a whole

Credit Institutions, in compliance with the sectorial regulations, must carry out an ongoing assessment, both of individual suitability of directors and of the Board of Directors as a whole.

The Appointments Committee is responsible for ensuring the individual suitability and for ensuring that, as a whole, the Board of Directors meets at any time the knowledge, experience and competences required.

For that purpose, the Institution has a Policy for the Suitability Assessment that establishes a monitoring and control system which ensures the update of all the assessed areas, as it is a dynamic process.

Therefore, during the year, the Committee has carried out partial re-assessments of the suitability of certain directors, due to appointments in companies outside Grupo Unicaja Banco. It has concluded in all the cases that directors continued to be suitable for the development of the positions they had at Unicaja Banco.

Within the framework of the process of renewal of positions for the Board of Directors, the Appointments Committee carried out the collective assessment of the Board of Directors, and it concluded that, in light of the future composition of the Board of Directors (following the renewal proposed to the Annual General Meeting of April 2018), the Board of Directors, both individually and collectively, would continue to be suitable for the performance of its functions, having the capacity to make independent and autonomous decisions for the benefit of the Institution. It also concluded that the different specialization areas required would be duly covered.

Gender diversity

As it has been previously said, due to the end of the process of renewal of the Board of Directors, this body remained composed by 5 female directors, 3 of them being independent directors, and 2, proprietary directors. The Appointments Committee valued very positively the fact that 38.5% of the Board members were women (5 out of 13), one of the highest percentages in the sector, reaching 50% in the case of independent Directors and 40% in proprietary directors.

Due to the resignation from his position of Mr. Eloy Domínguez-Adame, referred to in sections above, as the Board is temporarily composed by 12 members, the percentage of women grows to 41.66%, 11.66% higher than the goal set of 30% in 2020.

Appointment of Senior Managers

The Committee has issued, during the year, three favourable reports and proposals for the nomination of candidates to the Subject Group, in particular, the General Director of Investees, General Director of Organization, Transactions and Services, and the Deputy General Director of Corporate Development, which are also subject to the scheme of suitability assessment.

Adaptation of the internal regulations to the international Guidelines and Guides

In 2018, the Company adapted the Suitability Policy to the EBA/ESMA Guidelines on the assessment of the suitability of members of the management body and key function holders (EBA/GL/2017/12), and in 2017, the Company had completed the adaptation to the Guide to fit and proper assessment of the ECB (SSM). Those Guidelines and Guides set out that credit institutions should extend the areas of knowledge for the individual and collective assessment of Directors, as well as the competences to be used to assess the Directors and that the Board gathers, collectively, sufficient knowledge and experience to cover all the areas of knowledge required for the development of the Institution's activities.

The Committee informed favourably on the adaptation of the Suitability Policy, which was approved by the Board of Directors.

Also, during 2018, the Company has been working in the preparation or update of the following Policies and internal Procedures: i) Policy on the Diversity of the Board of Directors, which

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consolidates and develops in a single text the provisions on diversity of the other policies in force at the Institution; ii) the Policy on Training, to ensure that the Board members have, at any time, the knowledge, capacity and skills required to perform their functions; iii) the update of the Policy for the Selection and Appointment of Directors, to adapt it to the current Suitability Policy, and iv) the Policy for the Selection and Appointment of Key Staff, to set the scheme for the selection and appointment of Key Staff (other than Directors). These policies have been finally informed by the Appointments Committee and approved by the Board of Directors in February 2019.

Policy for the Selection and Appointment of Directors

At the meeting held on 21 March 2019, the Committee has been presented with the Report on the annual verification of compliance with the Policy for the Selection of Directors. The Committee has checked that the processes for the selection and assessment of suitability, carried out within the framework of the renewal of the Board of Directors, have been carried out in accordance with the criteria set for those purposes in the said Policy.

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

The Institution has an Assessment Procedure which aims at the analysis of the performance, during the previous year, of the Board of Directors of Unicaja Banco, S.A. and its support Committees, in order to make proposals which result, respectively, in the improvement of its activities and in higher efficiency, also complying with the regulations on the ordering, supervision and solvency of credit institutions. The assessment perimeter of the Board of Directors must include, specifically, the assessment of the said body as a whole or as a collegiate body, the assessment of its support Committees and the assessment of the position of Chair and Secretary of the Board of Directors and its Committees, as well as of the CEO and the Leading Director.

The duties of the Appointments Committee include, among others, the regular assessment, and at least annually, of the structure, size, composition and performance of the Board of Directors, making recommendations with regard to possible changes.

The Appointments Committee must prepare the assessment of the Board of Directors, its Committees and the certain positions; it must coordinate the development of the Assessment Procedure for the corresponding year or period. The Leading Director must direct the regular assessment of the Chair of the Board of Directors.

Following the recommendations on good corporate governance, the Committee must be assisted, at least every three years, by an external consultant. The last assessment with the assistance of an external consultant was that of 2017, on the assessment of the year 2016. Therefore, in 2019, the collaboration of an external consultant will be required.

With regard to the Report on the Assessment of the Performance corresponding to the year 2018, the Committee approved the launch of the process with internal resources, and updated the assessment questionnaires and the process of assessment of the performance of the Institution's governing bodies. The Leading Director participated in the process of the periodic assessment of the Chairman of the Board of Directors.

On 21 March 2019, the Appointments Committee submitted to the Board of Directors the mentioned Assessment Report. The said document concluded that the assessment of the organization and the performance of the Board of Directors, its Committees and certain positions, corresponding to the year 2018, was satisfactory.

Training Plan for Directors

The Suitability Assessment Policy 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 a reinforced one for the members of the Audit and Regulatory Compliance and Risk Committees.

The Committee reported favourably, at the meeting of 28 June 2018, on the proposed 'Training Plan' for the members of the Board of Directors for the year 2018. This Training Plan, approved on 29 June, has paid special attention to the fields of regulations, strategic projects, financial risks and corporate governance, as well as to the areas of new technologies and development of future business models, so that they can properly understand the risks of the decisions on which they must consider, and to participate actively in the Board deliberations

The Committee has monitored the implementation of the plan, which has been totally fulfilled.

Other matters

In the exercise of its functions, the Committee reported on or assessed, among others, the following topics:

- Subject Group: the Appointments Committee has determined and maintained permanently updated the list of people composing the Subject Group.
- Information on the regulations with an effect on the Institutions and the areas where it operates:
 - i) During the year, it has analyzed the impacts and the plans for the adaptation in relation to the EBA/ESMA Guidelines on the assessment of the suitability of the members of the management body and key function holders (EBA/GL/2017/12) and the Guide to fit and proper assessment of the European Central Bank (SSM), referred to above.
 - ii) At the meeting held on 29 November, the Committee analyzed the main features of the Public Consultation on the Proposal of Technical Guide of the CNMV on appointments and remuneration committees.

7. ASSESSMENT OF THE COMMITTEE OPERATION AND PERFORMANCE

As it has been mentioned before, the Appointments Committee carries out, annually, a self-assessment of the Committee's organization and performance, so as to make recommendations and, if applicable, possible changes.

In particular, the following areas have been assessed:

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

At the meeting held on 21 March 2019 and in light of the analyzed information following the completion of questionnaires by each of the Committee members, the Appointment Committee has favourably assessed the quality and efficiency of the Committee's operation during the year 2018.

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, 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 Chairwoman 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 Action Plan 2018 of the Committee and 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 Appointments Committee, at the meeting held on 21 March 2019, and approved by the Board of Directors at their meeting of 22 March 2019.