



ANNUAL GENERAL MEETING OF SHAREHOLDERS 2020 BIS

**REPORT PREPARED BY THE BOARD OF DIRECTORS REGARDING THE
PROPOSAL FOR ALLOCATION OF PROFIT OF THE YEAR 2019
REFERRED TO IN ITEM ONE OF THE AGENDA**

MALAGA, 25 SEPTEMBER 2020

REPORT PREPARED BY THE BOARD OF DIRECTORS OF UNICAJA BANCO, S.A. REGARDING THE PROPOSAL FOR ALLOCATION OF PROFIT CORRESPONDING TO THE FINANCIAL YEAR ENDED ON 31 DECEMBER 2019, REFERRED TO IN ITEM ONE OF THE AGENDA OF THE ANNUAL GENERAL MEETING OF SHAREHOLDERS 2020 BIS, CONVENED TO BE HELD ON 27 OCTOBER 2020 ON FIRST CALL AND, IF THERE IS NOT A SUFFICIENT QUORUM, ON SECOND CALL ON 28 OCTOBER 2020.

1.- BACKGROUND.

On 21 February 2020, the Board of Directors of UNICAJA BANCO, S.A. (the “Company”) resolved to fill the annual accounts corresponding to the financial year ended on 31 December 2019.

The notes to the said annual accounts include the following proposal for allocation of profit, which the Board of Directors resolved, on 27 March 2020, to submit to the Annual General Meeting of Shareholders convened to be held on 29 April 2020, on first call, under item four of the Agenda:

- (a) To legal reserve: 12,557,203.70 euros.
- (b) To voluntary reserves: 31,489,548.80 euros.
- (c) To capitalization reserve Law 27/2014: 4,000,000.00 euros.
- (d) To dividends: 77,525,284.50 euros.

Total: 125,572,037.00 euros

On 27 March 2020, once the call to the Annual General Meeting had been published, the European Central Bank, in the context of the crisis caused by the Covid-19 pandemic, issued a recommendation (ECB/2020/19) to all supervised financial institutions, related to the restriction, at least until 1 October 2020, on the pay out of dividends and share buy-backs, in order to strengthen banks’ solvency and to promote their role as key elements in the recovery of the economy, facilitating funding, in coordination with the measures promoted by governments.

On 7 April 2020, the Company’s Board of Directors, taking into account the mentioned ECB recommendation of 27 March 2020, and in accordance with the provisions of Article 40 of the *Royal Decree-Law 8/2020 of 17 March, on urgent extraordinary measures to address the economic and social impact of COVID-19 (the “Royal Decree-Law 8/2020”)*, resolved to leave without effect and to withdraw from the agenda of the said Annual General Meeting of Shareholders the proposal for allocation of profit included in the annual accounts, indicating that it would be replaced by a new proposal to be submitted to a General Meeting to be held within the legal deadline set.

On 27 July 2020, the European Central Bank has issued a new recommendation (ECB/2020/35) where it considers it necessary to extend until 1 January 2021 the recommendation to refrain from paying out dividends and from undertaking irrevocable commitments to pay out dividends for the financial years 2019 and 2020, and to refrain from share buy-backs to remunerate shareholders.

2.- PURPOSE OF THIS REPORT.

This report is prepared by the Company's Board of Directors pursuant to the provisions of Article 40.6 of the *Royal Decree-Law 8/2020*, to justify the new proposal for allocation of profit corresponding to the financial year ended on 31 December 2019, submitted to approval by the Annual General Meeting of Shareholders 2020 BIS, under item One of the Agenda, replacing the proposal included in the notes to the annual accounts corresponding to the financial year ended on 31 December 2019, which was withdrawn from the Agenda of the Annual General Meeting of Shareholders held on 29 April 2020 and left with no effect.

3.- RATIONALE

In the *"Recommendation of the European Central Bank of 27 July 2020 on dividend distribution during the COVID-19 pandemic and repealing Recommendation ECB/2020/19"*, published in the Official Journal of the European Union on 31 July 2020, the European Central Bank (ECB) considers that *"the level of economic uncertainty due to the COVID-19 pandemic remains elevated and, consequently, that credit institutions face difficulties in forecasting accurately their medium-term capital needs. The ECB also considers that there is an ongoing need in this environment of exceptional systemic uncertainty and stressed economic conditions for prudent capital planning, which includes preserving credit institutions' capital position by postponing or cancelling distributions. Therefore, the ECB considers it necessary to extend the dividend recommendation until 1 January 2021 and repeal Recommendation ECB/2020/19. This approach is also consistent with Recommendation ESRB/2020/7 of the European Systemic Risk Board"*. In view of those considerations, the ECB has adopted, among others, the recommendation that *"until 1 January 2021 no dividends are paid out and no irrevocable commitment to pay out dividends is undertaken by credit institutions for the financial years 2019 and 2020 and that credit institutions refrain from share buy-backs aimed at remunerating shareholders"*. (The term "dividend" as used in this Recommendation refers to any type of cash pay-out in connection with Common Equity Tier 1 capital which has the effect of reducing the quantity or quality of own funds.)

In light of the above, the Company's Board of Directors, following the ECB recommendation, has resolved, at its meeting held on 25 September 2020, to submit to the General Meeting of Shareholders of 27 October 2020 the proposal for allocation of profit of the year 2019 as stated in the next section.

Furthermore, pursuant to the provisions of Article 41.3 of the *Royal Decree-Law 8/2020, of 17 March, on urgent extraordinary measures to address the economic and social impact of COVID-19*, this proposal for allocation of profit, the present report and the letter from the accounts auditor in which it confirms that its audit opinion on the annual accounts would have not changed if it had known the new proposal when they were signed, will be disclosed, as soon as they are approved, as supplementary information to the annual accounts, on the company's website and on the CNMV website as other relevant information or, if applicable, as inside information.

4.- PROPOSED RESOLUTION SUBMITTED FOR APPROVAL BY THE GENERAL MEETING OF SHAREHOLDERS

The proposal submitted by the Board of Directors to the General Meeting of Shareholders is as follows:

“Approval of the following proposal for allocation of profit of Unicaja Banco, S.A. corresponding to the financial year ending on 31 December 2019, stated by the Board of Directors:

(a) To legal reserve:	12,557,203.70 euros.
(b) To voluntary reserves:	109,014,833.30 euros.
(c) To capitalization reserve Law 27/2014:	4,000,000.00 euros ¹ .
Total:	125.572.037,00 euros

(¹) This reserve will be non-disposable for a period of 5 years and will be absolutely separated from the others and under the appropriate section in the Bank’s accounting books, in compliance with that set forth in article 25.1.b) of the Spanish Law 27/2014 of 27 November, on Corporate Income Tax.”

Pursuant to the provisions of Article 40.6 bis of Royal Decree-Law 8/2020 of 17 March, on urgent extraordinary measures to address the economic and social impact of COVID-19, this proposal for allocation of profit replaces the one included in the notes to the annual accounts corresponding to the financial year ended on 31 December 2019, which were approved by the Annual General Meeting of Shareholders held on 29 April 2020, under item One of the Agenda, excluding the said proposal for allocation of profit (*which the Board of Directors, at their meeting held on 7 April 2020, resolved to leave without effect and to withdraw from the agenda of the Annual General Meeting of Shareholders, as announced by the Company on 7 April, both on the CNMV website, as Inside Information with registration number 154, and on its website*).

This report by the Board of Directors justifying the new proposal for the application of result, together with the corresponding letter of the Company’s account auditor referred to in article 40.6 bis of the Royal Decree-Law 8/2020, will be at the disposal of shareholders both at the Company’s registered address and on its website, and on the CNMV website, with the possibility of downloading and printing it, along with other documents related to the Annual General Meeting of Shareholders, since the publication of the announcement to convene it.

This present Report is prepared by the Board of Directors of Unicaja Banco, S.A. in Malaga, on 25 September 2020, for the appropriate purposes.