



CAIXABANK, S.A. BOARD OF DIRECTORS' REPORT ON THE PROPOSAL FOR APPROVAL OF THE MAXIMUM VARIABLE REMUNERATION PAYABLE TO CERTAIN EMPLOYEES WHOSE WORK HAS A SIGNIFICANT IMPACT ON THE COMPANY'S RISK PROFILE

PURPOSE OF THE REPORT

The Board of Directors of CaixaBank, S.A. (hereinafter referred to as **CaixaBank** or the **Company**), in accordance with the provisions of Article 34 of Law 10/2014 of 26 June regarding planning, supervision and solvency of credit institutions (hereinafter referred to as **LOSS**), issues this report with the purpose of justifying the proposal figuring in Item 11 of the Agenda of the Company's Annual General Meeting called for 23 April 2015, regarding approval of the maximum variable component of the remuneration for a certain group of Company Directors and staff.

Articles 32 and 34 of the aforementioned Law 10/2014 establish that when credit institutions set the variable components of the remuneration for senior Managers, employees assuming risks or performing control functions and all workers whose overall remuneration makes them subject to the same wage criteria as the senior Managers and employees assuming risks, whose work has a major impact on their risk profile (hereinafter, the **Identified Group**), they must determine suitable ratios between the fixed and variable components of the total remuneration, applying the following principles:

- I. The variable component must not exceed 100% of the fixed component of the total remuneration for each person.
- II. The entity's shareholders may however approve a higher level than that indicated in the previous paragraph, providing it does not exceed 200% of the fixed component of the total remuneration.

For approval of this higher level of variable remuneration, the Law establishes that the entity's shareholders must base their decision on a detailed recommendation by the Board of Directors or equivalent body stating the grounds and scope of the decision and including the number of persons in question and their posts, together with the expected effect on the entity's capacity to maintain a sound capital base.

The aim of this report is to inform the shareholders of the recommendation referred to in the above paragraph, for application to 15 persons in the Identified Group in the financial year 2015.

1. PRINCIPLES OF THE REMUNERATION POLICY FOR THE IDENTIFIED GROUP

1.1. Main principles applicable to CaixaBank

CaixaBank is a leading Spanish financial institution that generates value for society, customers and employees. It must thus offer sufficiently attractive remuneration and benefit conditions to attract, retain and motivate the best talent in the market, on the basis of its general remuneration principles. The following general principles are therefore established,

applicable to all CaixaBank Group employees and consequently to the Identified Group:

- The total compensation policy is geared to encouraging conduct that will ensure long-term value generation and sustainability of results over time. The variable remuneration therefore takes into consideration not only target achievement, but also the way in which these targets are met.
- The professionals' individual targets are defined on the basis of the commitment they assume and establish with their superiors.
- The remuneration policy includes a strategy for attracting and retaining talent on the basis of the professionals becoming involved in a distinctive social and business endeavour and developing professionally under competitive conditions of overall remuneration.
- As part of these overall remuneration terms, the policy states that the sum of the fixed remuneration plus social benefits should be highly competitive, these two remuneration components being the main basis for the Company's capacity to attract and retain talent.
- The benefits provided mainly consist of the corporate pension scheme for the employees, which stands out in comparison to other Spanish financial institutions and is a key feature of their remuneration.
- The fixed remuneration and social benefits make up most of the overall remuneration, which also includes variable remuneration, of a somewhat conservative nature as it could generate risk.
- The promotion system is based on continuous assessment of the employees' skills, performance, commitment and professional merits over time.
- The remuneration of the employees and the Identified Group is approved by CaixaBank's competent governing bodies.

1.2. General principles contained in the LOSS for the Identified Group

The general principles of the remuneration policy for the Identified Group set forth in Article 33 of the LOSS are also applicable to this Group, and are as follows:

- The remuneration policy must encourage, and be compatible with, suitable efficient risk management, and it must not offer incentives for assuming risks exceeding the level tolerated by the entity.
- The remuneration policy must be compatible with the entity's business strategy, aims, values and long-term interests and must include measures for avoiding conflicts of interest.
- Staff performing control functions within the credit institution must be independent from the business units they supervise, must have the necessary authority to comply with their duties and must be remunerated for meeting the targets connected with their duties, regardless of the results of the business areas they control.
- The remuneration of senior Managers performing risk management and regulatory compliance functions must be directly supervised by the Remuneration Committee.
- The remuneration policy must clearly distinguish between the criteria for establishing:

- the fixed remuneration, which must mainly reflect the relevant professional experience and responsibility within the organisation, as stipulated in the description of duties pertaining to the working conditions, and
- the variable remuneration, which must reflect sustainable, risk-adapted performance and a higher performance than required for compliance with the description of duties pertaining to the working conditions.

2. BOARD OF DIRECTORS' RECOMMENDATION AND PROPOSAL

The CaixaBank Board of Directors recommends and proposes to the General Meeting that when setting the variable components of the remuneration for the members of the Identified Group holding the posts described below, the said variable component may be up to 200% of the fixed component of the total remuneration.

2.1. Number of people affected and posts held

In 2015, the posts to which the Board of Directors' proposal applies are as follows:

Post:	Nº of employees
Regional Manager for Private and Personal Banking	1
Market Making Manager	1
Interest Rate Derivatives Manager	1
Derivatives, Variable Income and Foreign Exchange Manager	1
Structured Liabilities Manager	1
Origination and Recruitment Manager	1
Fixed Income and Derivatives Distribution Manager	1
Public Debt Manager	1
ALM Management Director	1
Customer Treasury Area Manager	1
ALM and Liquidity Area Manager	1
Market Research Area Manager	1
Market Making Department Manager	1
Capital Market Department Manager	1
Liquidity Department Manager	1

In all the above cases, on applying the variable remuneration systems designed for their functions, the payment may not exceed 200% of the fixed components of their total remuneration.

2.2. Justification

The Board of Directors' recommendation and proposal is based on the following points:

- The proposal is limited to the 15 people in the Identified Group whose variable remuneration has been set so as not to exceed 100% of the fixed components of the total remuneration.
- Although CaixaBank's remuneration policy generally establishes relatively low variable remuneration in relation to the fixed components and social benefits, the proportion between the fixed and variable components for the persons in question is determined in accordance with standard market practice for equivalent posts, both in Spain and internationally, on the basis of market surveys and information drawn up by top-level specialist companies.
- European credit institutions are required to limit their variable remuneration regardless of the location of their business, while non-EU entities are only subject to this limitation with regard to business carried out in Europe. As an entity with international vocation, CaixaBank must provide itself with the optimum potential in order to compete as regards attracting and retaining talent. CaixaBank must thus be able to attract, motivate and retain the best professionals for the posts in question, through a remuneration system comparable to those of the Company's direct competitors.
- In line with the Company's current remuneration principles and practices, the proposal involves limited, specific and non-generalised use of possible bonus payments exceeding 100% of the fixed component.
- Under no circumstances may application of the systems for setting the variable remuneration for each of the posts in question result in the payment of amounts of 200% of the fixed remuneration or more.

2.3. Effect on maintaining a sound capital base

On applying the variable remuneration systems anticipated for the 15 posts for which the variable remuneration may exceed 100% of the fixed component, the maximum estimated amount for this excess will be €1,550,000, contemplating both the maximum theoretical amount for target achievement and the correction factor. The Board of Directors considers that this figure does not have a relevant impact on the Company's solvency, with regard to maintaining a sound capital base.

Barcelona, 5 March 2015

