

**CaixaBank, S.A.**  
**Banca Cívica, S.A.**

Report by the independent expert on  
the Common Merger Plan of  
CaixaBank, S.A. (as absorbing company) and  
Banca Cívica, S.A. (as absorbed company)

22 May 2012

**To the Boards of Directors of CaixaBank, S.A. and Banca Cívica, S.A.**

Dear Sirs,

In execution of the independent expert work commissioned by Mr. Guillermo Herrero Moro, commercial register of Barcelona (expedient 3498/12), dated 3 April 2012, who has confirmed the acceptance of our designation on 17 April 2012, extended on 16 May 2012, as part of the merger by absorption of Banca Cívica, S.A. by CaixaBank, S.A., we issue the present report according to the article 34 of Law 3/2009, on Structural Amendments to Private Corporations in relation to the Common Merger Plan and, particularly, on whether the exchange ratio is justified or not, what have been the methods used to establish it, if they are appropriate, indicating the final values and the specific difficulties of valuation, if applicable, and on whether the assets contributed by the company which is extinguished are equal, at least, to the increase capital amount of the absorbing company.

**1. Details of the operation**

**1.1 Companies involved**

CaixaBank, S.A. a Spanish credit institution with registered address at Avenida Diagonal, 621, 08028 Barcelona, holder of Tax Id. number A-08663619; registered in the Barcelona Commercial Registry in volume 10.159, folio 210, sheet B41.232, entry 25<sup>th</sup>, and in the Bank of Spain's Registry of Banks and Bankers under number 2100. The share capital of CaixaBank, S.A. is 3,840,103,475 euro, divided into 3,840,103,475 shares with a face value of 1 euro each. The shares are represented in book-entry form, have been totally subscribed and paid up and admitted to trading on the Barcelona, Madrid, Valencia and Bilbao Stock Exchanges via the Stock Exchange Interconnection System (Continuous Market).

CaixaBank, S.A. is the bank through which Caja de Ahorros y Pensiones de Barcelona ("la Caixa") carries on its financial activity since 1 July 2011 under Royal Decree Law 11/2010, of 9 July, amending Law 31/1985, of 2 August, laying down basic rules applicable to the governing bodies of savings banks and in Decree Law 5/2010, of 3 August amending Legislative Decree 1/2008, of 11 March, enacting the consolidated text of the Law on Savings Banks of Catalonia. At present "la Caixa" owns 81.516% of the share capital of CaixaBank, S.A.

BANCA CÍVICA, S.A., a Spanish credit institution, with registered address at Plaza de San Francisco, 1, 41004 Seville, holder of Tax Id. number A-85973857; registered in the Commercial Registry of Seville, in folio 77, volume 3,357 of the companies book, page SE-89,209 and registered in the Bank of Spain's Registry of Banks and Bankers under number 0490. The share capital of Banca Cívica, S.A. is 497,142,800 euro, divided into 497,142,800 shares with a face value of 1 euro each. The shares are represented in book-entry form, have been totally subscribed and paid up and admitted to trading on the Barcelona, Madrid, Valencia and Bilbao Stock Exchanges via the Stock Exchange Interconnection System (Continuous Market).

Banca Cívica, S.A. is the central company (*sociedad central*) of the Institutional Protection Scheme (*sistema institucional de protección* or "SIP") incorporating Caja de Ahorros y Monte de Piedad de Navarra ("Caja Navarra"), Monte de Piedad y Caja de Ahorros San Fernando de Guadalajara, Huelva, Jerez y Sevilla ("Cajasol"), Caja General de Ahorros de Canarias ("Caja Canarias") and Caja de Ahorros Municipal de Burgos ("Caja de Burgos"). Banca Cívica, S.A. is the entity through which the Cajas carry on their financial activity under RDL 11/2010.

In particular, the Cajas own 55.32% of the share capital of Banca Cívica, S.A. (distributed as follows: 29.1% is owned by Caja Navarra, 29.1% is owned by Cajasol, 21.3% is owned by Caja Canarias, and 20.5% is owned by Caja de Burgos) and 55.32% of the voting rights of Banca Cívica, S.A. (16.10% is owned by Caja Navarra, 16.10% is owned by Cajasol, 11.78% is owned by Caja Canarias, and 11.34% is owned by Caja de Burgos).

## 1.2 Aim of the operation

The Boards of Directors of CaixaBank, S.A. and Banca Cívica, S.A. at separate meetings held on 18 April 2012, approved the Common Merger Plan for the merger by absorption of Banca Cívica, S.A. by CaixaBank, S.A.

The Common Merger Plan was drawn up and signed by the directors of CaixaBank, S.A. and Banca Cívica, S.A., pursuant to the provisions of the Structural Amendments Law, and was lodged with the Barcelona and Seville Commercial Registries on 19 April and 25 April 2012, respectively. The Common Merger Plan will be referred for approval to the General Meetings of CaixaBank, S.A. and Banca Cívica, S.A., under article 40 SAL, both of which are scheduled to be held on 26 June 2012 on first call.

Additionally, section 15 of the Common Merger Plan states that it is a condition precedent for the merger its approval by the General Assembly of Caja de Ahorros y Pensiones de Barcelona ("la Caixa") expected to be held on 22 May 2012, by the General Assemblies of the Cajas comprised in the SIP of Banca Cívica, S.A. expected to be held on 22 May 2012 and by the General Shareholders' Meetings of CaixaBank, S.A. and Banca Cívica, S.A., pursuant to the Private Companies Act, applicable savings banks regulations and their respective Articles of Association.

According to the Common Merger Plan, there are significant benefits to be gained by the shareholders of both entities as a result of the merger, including: i) an improved competitive position; ii) strengthening in key territories; iii) risk diversification; iv) increased profitability, and v) economies of scale.

## 1.3 Bases of the merger

Pursuant to article 22 et seq of the SAL, this merger will be carried out, if approved by the General Shareholders' Meetings, through the absorption of Banca Cívica, S.A. by CaixaBank, S.A., involving the former's dissolution without winding-up and the transfer of its assets to the latter and acquisition by the absorbing company of the whole set of rights and liabilities of Banca Cívica, S.A. Following the merger, shareholders of Banca Cívica, S.A. other than CaixaBank, S.A. shareholders will receive shares of CaixaBank, S.A.

For the purposes of article 31.10 SAL, section 11.1 of the Common Merger Plan states that the merger balance sheets, within the meaning of article 36.1 SAL, will be the balance sheets closed by CaixaBank, S.A. and Banca Cívica, S.A. as at 31 December 2011.

The Common Merger Plan states that the merger balance sheet of CaixaBank, S.A. approved by the General Meeting that may approve the merger is the one drawn up by the Board of Directors of CaixaBank, S.A. on 23 February 2012, referred for verification to the entity's auditors, which released the appropriate audit report without qualifications on 29 February 2012, and later approved by the General Shareholders' Meeting of CaixaBank, S.A. held on 19 April 2012.

The merger balance sheet of Banca Cívica, S.A. approved by the General Meeting that may approve the merger is the one drawn up by the Board of Directors of Banca Cívica, S.A. on 30 March 2012, referred for verification to the entity's auditors, which released the appropriate audit report without qualifications on 2 April 2012, and to be approved, if appropriate, by the

General Shareholders' Meeting of Banca Cívica, S.A, which is expected to be held on 23 May 2012. This audit report includes a couple of important paragraphs quoted below:

*“Without affecting our audit opinion, we draw attention what is stated in Note 3.a) of the attached memory, in which the directors extract the causative and mitigating factors that have been considered in relation to the uncertainties existing on the application of principle “on-going concern”, specially, in regard to the new provisions and capital requirements applicable to the Company and its group, according to Royal Decree Law 2/2012 (see Note 2.8). On the Note 2.8 is extracted the preliminary evaluation that has been carried out by the directors about the impact of these new requirements will have on the Bank and its group together with measures and strategies identified in order to accommodate to new regulation, among which is included the integration agreement subscribed by CaixaBank that is described in Note 2.8, and is pending to be approved by the government bodies of the participatory institutions and its shareholders as well as applicable administrative authorizations. In this context, the future evolution of the Bank and its group is conditioned to the culmination of the integration or, failing this, to the success of the identified measures so that the Bank could continue its operations and sell its assets, particularly, those related to deferred taxes amounting to EUR 1,737,753,000 (see Note 21), and to attend its obligations for the amounts and according to the classification of the accompanying financial statements.”*

*“Without affecting our audit opinion, we draw attention what is stated in Note 2.3 of the attached memory about the effects of the segregation project described in Note 1.1.”*

Also, section 11.2 of the Common Merger Plan states that in order to determine the conditions of the merger, the individual and consolidated annual accounts of the merging companies for the year ending on 31 December 2011 have been taken into account.

The consolidated annual accounts of CaixaBank, S.A. were drawn up on 23 February 2012 by the Board of Directors of CaixaBank, S.A., and referred for verification to the entity's auditors, which released the appropriate audit report without qualifications on 29 February 2012, and approved by the General Shareholders' Meeting of CaixaBank, S.A. held on 19 April 2012.

The consolidated annual accounts of Banca Cívica, S.A. were drawn up on 30 March 2012 by the Board of Directors of Banca Cívica, S.A., and referred for verification to the entity's auditors, which released the appropriate audit report without qualifications on 2 April 2012, to be approved by the General Shareholders' Meeting of Banca Cívica, S.A. expected to be held on 23 May 2012. This audit report includes an important paragraph quoted below:

*“Without affecting our audit opinion, we draw attention what is stated in Note 3.a) of the accompanying consolidated memory, in which the directors extract the causative and mitigating factors that have been considered in relation to the uncertainties existing on the application of principle “on-going concern”, specially, in regard to the new provisions and capital requirements applicable to the Company and its group, according to Royal Decree Law 2/2012 (see Note 3.15). On the Note 3.15 is explicated the preliminary evaluation that has been carried out by the directors about the impact of these new requirements will have on the Bank and its group together with measures and strategies identified in order to accommodate to new regulation, among which is included the integration agreement subscribed with CaixaBank and described in Note 3.15, which is pending to be approved by the government bodies and its shareholders as well as applicable administrative authorizations. In this context, the future evolution of the Bank and its group is conditioned to the culmination of the integration or, failing this, to the success of the identified measures so that the Bank could continue its operations and sell its assets, particularly, that related to deferred taxes amounting to EUR 2,046,594,000 (see Note 28), and to attend its obligations for the amounts and according to the classification of the accompanying consolidated financial statements.”*

#### 1.4 Exchange ratio of the shares

Pursuant to the requirements contained in article 31.2 SAL, section 5.1 of the Common Merger Plan gives the exchange ratio of the merger. The exchange ratio of the shares of the entities involved in the merger, as determined on the basis of the actual value of the corporate assets of CaixaBank, S.A. and Banca Cívica, S.A., will be five shares of CaixaBank, S.A., of one euro par value each, for every eight shares of Banca Cívica, S.A., of one euro par value each, with no additional cash compensation.

Given that shares are non-divisible and the impossibility to issue or allocate share fractions, the proper execution of the exchange requires that the total number of shares of Banca Cívica, S.A. that remain on the market and are used towards the exchange be a multiple of the exchange ratio. For this reason, if there is a change in the number of shares not used in the exchange in accordance with article 26 of the Structural Amendments Law, and the number of shares of Banca Cívica, S.A. that remains on the market at the time of the exchange is not a multiple of the exchange ratio, Banca Cívica, S.A. must acquire or transfer, before executing the merger deed, such shares as are required so that the number of shares of CaixaBank, S.A. to be allocated to the shareholders of Banca Cívica, S.A. under the exchange is a whole number (up to seven shares).

For the purposes of establishing the final exchange ratio, CaixaBank, S.A. and Banca Cívica, S.A. have also agreed on the following:

- The conversion into shares of the Serie I/2012 mandatorily convertible subordinated debentures issued by CaixaBank, S.A. would not adjust the exchange ratio. On 15 December 2011 the Boards of Directors of CaixaBank, S.A. agreed under the authorization granted by the General Shareholders Meeting on 12 May 2011, to issue mandatorily subordinated debentures convertible or/and exchangeable into shares of CaixaBank, S.A. of nominal value EUR 100 and a coupon of 6,5% nominal, for a total nominal amount of EUR 1,445,942,100, excluding pre-emptive rights. The convertible and/or exchangeable debentures that have not been converted previously will be mandatorily convertible and/or exchangeable into CaixaBank, S.A. share on 30 June 2012 for a 50% of their total nominal value. The remaining 50% that has not been converted previously will be mandatorily convertible and/or exchangeable on 30 June 2013. The exchange price of the shares is set at EUR 3.862 per share, calculated as the higher of EUR 3.73% per share and the 100% of the average share price over the last fifteen trading days of the acceptance period of the repurchase offer. Therefore, on May 22, 2012, the Board of Directors of Banca Cívica, S.A. shall put forward to the Extraordinary General Shareholders' Meeting, the approval of an amendment to certain terms and conditions of issuance of the subordinated bonds mandatorily convertible into new shares and/ or exchangeable shares Series I/2012, whose purpose is to entitle bondholders to defer last date of conversion/exchange of the bonds. In any case, such amendment is subject to (i) confirmation by the Extraordinary Shareholders' Meeting of CaixaBank, S.A. (ii) the approval by the Assembly of Bondholders.
- The conversion into shares of the Serie I/2011 mandatorily convertible subordinated debentures issued by CaixaBank, S.A. would not adjust the exchange ratio: on 31 December 2011 is registered as "other capital instruments" within the equity in the issuance of mandatorily subordinated debentures convertible and/or exchangeable into shares of CaixaBank, S.A. carried out on June 2011 amounting to 1,500 millions of euro, being the term of the issuance 30 months. At 18 months the conversion of the 50% is mandatory and the remaining, at 30 months. The issuance provides a coupon of 7% nominal with discretionary payment. In the event that the payment is not made, the holder of the debenture will have right to early exchange into shares of CaixaBank, S.A. The exchange price of the shares is set at EUR 5.253 per share, calculated as the higher of

EUR 5.10 per share and 105% of the average price share over the issuance subscription period.

- To increase the share capital charged to reserves by issuing new shares. Pursuant to the Dividend/Share Programme, this equals approximately a gross return of 0.051 euro per share (Scrip Dividend) approved by the General Shareholders' Meeting of CaixaBank, S.A. held on 19 April 2012. It is expected that the increase will be executed next June.

Also, the capital increase charged to reserves by issuing new shares that, according to the Dividend/Share Programme equals approximately a gross return of 0.06 euro per share (Scrip Dividend) approved by the General Shareholders' Meeting of CaixaBank, S.A. held on 19 April 2012 will be executed after registration of the merger so that the shareholders from Banca Cívica, S.A. are also entitled to it.

- To distribute outstanding dividends charged to Banca Cívica, S.A.'s 2011 financial year up to 14.4 million euro.
- The financial liability formed by all issuances of preferred securities of Banca Cívica, S.A. equal to 904,031,000 euro could be converted, by using adequate legal mechanisms, into equity instruments (mandatorily convertible bonds) in CaixaBank, S.A. post-merger with conversion at market value, without altering the exchange ratio of the merger.

To this end, on 18 April 2012 the Board of Directors of Banca Cívica, S.A. approved a proposal to issue bonds mandatorily convertible and/or exchangeable into shares of Banca Cívica, S.A. to be subscribed by the owners of preferred stock of Banca Cívica, S.A. currently in circulation (904,031,000 euro of face value), excluding the right of preemption. On 18 April 2012 the appropriate report by the Board of Directors was released and later, on 19 April 2012, BDO Auditores, S.L. released the independent expert report pursuant to articles 414 and 417 of the Private Corporations Act.

For the purposes, as stated therein, will be carried out, prior to the execution of the merger, a repurchase offer of the preferred shares for 100% of nominal value subject to the irrevocable commitment of the investors that accept the offer to reinvest the amount of the repurchase on the subscription of mandatorily convertible debentures issued by Banca Cívica, S.A. before that date. The relation of the preferred shares to repurchase, according to the terms and conditions under the Common Merger Project follows:

<b>Issuer</b>	<b>Serie</b>	<b>Date</b>	<b>Amount</b>	<b>Coupon</b>
El Monte Capital S.A.U.	A	04/08/2000	130.000.000	EUR 12months+ 0,40%
Cajasol Participaciones Preferentes S.A.	-	15/07/2001	120.000.000	EUR 6months+ 0,25%
El Monte Participaciones Preferentes S.A.	B	15/06/2006	37.000.000	EUR 12months+ 0,55%
Caja de Ahorros General de Canarias	I	05/08/2009	67.031.000	EUR 3months + 5,85%
El Monte Participaciones Preferentes S.A.	D	02/10/2009	250.000.000	EUR 3months + 6,10%
Caja de Ahorros y Monte de Piedad de Navarra	1 <sup>a</sup>	16/12/2009	100.000.000	EUR 3months + 5,00%
Banca Cívica, S.A.	1	18/02/2011	200.000.000	8,65% until 18/02/2015. Since that date EUR 3months+ 6,74%

The nominal and effective amount of the debentures will be of 904,031,000 euro by means of an issuance of 9,040,310 debentures, issued at par value, 100% of their nominal value, EUR 100 per share and will articulated through three series (Serie A/2012, 2,870,000 Debentures; Serie B/2012, 3,710,310 Debentures; Serie C/2012, 3,000,000 Debentures).

As for the exchange ratio of the abovementioned convertible debentures, the conversion price attributed to the shares of Banca Cívica, S.A. will be determined by the weighted average of the average weighted changes of the share corresponding to the fifteen trading days preceding the conversion course, with a minimum of EUR 1.2 per share, if the average price was equal or lower than EUR 1.2, and a maximum of EUR 20, if the average price was higher. The directors' report expressly provides that the Board of Directors may amend the minimum and maximum limits of the conversion price according to the market conditions. Such price shall be adapted at the time of the inscription of the merger between CaixaBank, S.A. and Banca Cívica, S.A., as indicated on the directors' report carried out for this operation.

Banca Cívica, S.A. will include in the Ordinary Shareholders Meeting on 23 May 2012, the resolutions and authorizations required to execute the offer and to issue the convertible debentures.

As explained in the report issued by the board of directors of CaixaBank, S.A., upon completion of the Merger and in order to carry out the conversion and/or exchange of bonds mandatorily convertible and/or exchangeable issued by Banca Cívica, S.A., it is expedient that the share capital of CaixaBank, S.A. is increased in the maximum amount in order to fulfil, if necessary, the conversion of the bonds mandatorily convertible and/or exchangeable into shares. Considering that the face value of Banca Cívica, S.A. preference shares currently in circulation (i.e. face value 9,040,310 euro) and the minimum price of the conversion and/or exchange (which, upon completion of the Merger will be euro 1.92), the share capital of CaixaBank, S.A. will be increased up to 470,849,479 shares, having a face value of 1 euro each, of the same class and series as the existing shares of CaixaBank, S.A. and represented in book-entry form. The maximum number of shares to be issued by CaixaBank, S.A. to complete the conversion of mandatorily convertible shares issued by Banca Cívica, S.A. may be lower if (i) the prices of conversion and/or exchange is higher than 1.92 euro; (ii) the offer of repurchase by Banca Cívica, S.A. is not accepted by all the holders of preference shares to which it is offered; or (iii) conversion requests are not entirely met by issuing new shares of CaixaBank, S.A. The possibility of an incomplete subscription of the share capital increase is therefore anticipated.

#### 1.5 Increase of the share capital of CaixaBank, S.A.

According to section 5.2 of the Common Merger Plan, it is expected that CaixaBank, S.A. will carry out the exchange of shares of Banca Cívica, S.A. with treasury stock, by issuing new shares or a combination of both methods.

If all or part of the exchange is carried out by issuing new shares, CaixaBank, S.A. will increase its share capital by issuing new shares in the amount required, up to a maximum of 310,714,250 shares of one euro par value each, of the same class and series as the current shares of CaixaBank, S.A. represented in book-entry form.

The maximum number of shares to be issued by CaixaBank, S.A. as part of the Merger may be lower depending on three different factors: (i) the number of treasury stock held by CaixaBank, S.A. to be given in exchange as an alternative to newly issued CaixaBank, S.A. shares; (ii) the number of treasury stock held by Banca Cívica, S.A., and (iii) the number of Banca Cívica, S.A. shares owned by CaixaBank, S.A. The possibility that the capital increase may not be fully subscribed should therefore be specifically anticipated.

The share capital increase that may be carried out, if any, will be fully subscribed and paid up as a consequence of the transfer en bloc of the corporate assets of Banca Cívica, S.A. to CaixaBank, S.A., which will acquire the rights and obligations of the absorbed company.

Pursuant to article 304.2 of Royal Legislative Decree 1/2010, of 2 July, enacting the Private Companies (Consolidated) Act, the shareholders of CaixaBank, S.A. will have no preemptive rights over the shares that may be issued, if any, as a result of the share capital increase executed to carry out the exchange of shares.

#### 1.6 Approval of the merger

The merger must be approved by the General Meetings of the participating companies, pursuant to applicable laws.

#### 1.7 Date and conditions precedent

Pursuant to article 31.7 SAL, section 9 of the Common Merger Report specifies as the date from which any transactions of Banca Cívica, S.A. will be deemed to have been carried out by CaixaBank, S.A. for accounting purposes, the date on which the General Shareholders' Meetings of Banca Cívica, S.A. and CaixaBank, S.A. approving the merger are held, provided that, at that time, all the conditions precedent contained in the Plan have been fulfilled or, failing this, such later date on which these conditions precedent are met as follows:

- Authorisation by the Spanish Ministry of Economy and Competitiveness (*Ministerio de Economía y Competitividad*) of the merger by absorption of Banca Cívica, S.A. by CaixaBank, S.A.
- Authorisation of the merger, to the extent required, by the relevant autonomous regions according to the applicable laws and regulations.
- Authorisation of the Merger by the Spanish Antitrust Commission (*Comisión Nacional de la Competencia*), or equivalent supervisory body.
- Attainment of other authorisations required by reason of the activity of the Cajas or of Banca Cívica, S.A. from the Spanish Directorate General for Insurance and Pension Funds (*Dirección General de Seguros y Fondos de Pensiones*), from the Spanish Securities Exchange Commission (*Comisión Nacional del Mercado de Valores*) or from any other administrative body or entity.

As stated in section 1.2 of this report, it is a necessary requirement of the merger that it be approved by the General Assemblies of the Cajas forming part of the SIP of Banca Cívica, S.A. and of Caja de Ahorros y Pensiones de Barcelona ("la Caixa").

Also, it is hereby stated that such effective date so determined is consistent with accounting rules, pursuant to Rule 43 of the Bank of Spain Circular 4/2004, of 22 December, for credit institutions setting out rules applicable to public and reserved financial information and implementing financial statement models ("Circular 4/2004"), and also with section 2.2 of the "Valuation and Registration Rule" 19 of the General Chart of Accounts (*Plan General de Contabilidad*), approved by Royal Decree 1514/2007 of 16 November, which supplements Circular 4/2004.

## 2. Valuation method

In order to ascertain the exchange ratio of CaixaBank S.A. and Banca Cívica, S.A. shares, the Boards of Directors estimated their actual value. Based on the trading volume of the shares of both companies on the Spanish securities market, the differences between both entities in terms of size, and their divergent financial and business realities, among other factors, the Boards felt that the entities are not easily comparable in terms of valuation, characteristics and magnitudes (stock market capitalisation, net accounting assets, equity story, accounting value / listing per share ratio, etc.).

As a result of such differences, the Boards of Directors of both entities felt that the estimated most representative value of the corporate assets of both entities should be calculated by using different methods. To establish the estimated value of the assets of CaixaBank, S.A. regard has been had to their market value of the date of announcement of the deal, i.e. 26 March 2012, which was 3.145 euro per share, equivalent to a capitalisation of 12.1 billion euro. In order to work out the value of Banca Cívica, S.A. although the companies involved in the merger considered their market value, this was not the primary value used to establish the exchange rate. Due to specific circumstances surrounding Banca Cívica, S.A., specifically, limited trading volume, future provision needs and increased equity due to regulatory demands, the directors of both entities felt that the market value could not be used as the primary parameter to establish the exchange ratio *vis-à-vis* CaixaBank, S.A.

For CaixaBank, S.A., the valuation of Banca Cívica, S.A. rested primarily on its hypothetical financial value after joining a financial institution such as CaixaBank, S.A. For valuation purposes two key criteria were followed: (i) the quantification of the net assets resulting from the fair value given to the assets and liabilities of CaixaBank, S.A., which CaixaBank, S.A. would be required to make under the accounting rules on business combination and which CaixaBank, S.A. then estimated at 363 million euro (net of taxes), and; (ii) the quantification of the synergies resulting from a potential merger, which CaixaBank, S.A. estimated to be around 1.8 billion.

Furthermore, CaixaBank, S.A. relied on a dividend discount model (hereinafter, DDM) that included, *inter alia*, the foregoing two components, CaixaBank, S.A. estimated the valuation to be in the region of 1.450 and 1.7 billion euro.

Also, consideration was given to alternative valuation methods, including: i) multiples of comparable market value/book value (valuation bracket 904-1.827 billion euro); and ii) analyst's valuation (valuation bracket 994- 1.541 billion euro).

The valuation methods internally considered by Banca Cívica, S.A. to set its fair value to determine the exchange ratio were based on: (i) the book value adjusted by provision needs demanded by the restructuring of the Spanish financial system, which includes the calculation of the future provision needs of the credit portfolio and real estate and the adjustment to fair value of listed portfolio held by Banca Cívica, S.A. and (ii) a dividend discount model which evaluates the value of the bank on the basis of the future business expectations of Banca Cívica, S.A. and its capacity of creating synergies, considering again the provision needs and the capitalization of the bank expected in the current economic and regulatory environment. Such methods entail a valuation of Banca Cívica, S.A. in the region of 853 and 989 million euro.

Having set the main valuation parameters for each entity as explained in the preceding paragraphs, and after several rounds of discussions focusing primarily on the analysis of fair value adjustments of the assets and liabilities of Banca Cívica, S.A. and the economic value of the synergies allocated to its shareholders, a consensus was reached between both entities to establish the following exchange ratio: eight shares of Banca Cívica, S.A. per every five shares of CaixaBank, S.A., which reflects that Banca Cívica, S.A. is worth 977.2 million euro and CaixaBank, S.A. 12.1 billion euro, in accordance with the market value of CaixaBank, S.A. shares on 26 March 2012: 3.145 euro/share.

Additionally, UBS Limited and J.P. Morgan Limited have issued to the Board of Directors of CaixaBank, S.A. both recommendations dated on April, 18, 2012 and May, 10, 2012 respectively, on the reasonableness of the exchange ratio for CaixaBank, S.A., pointing out that, according to the performed procedures, the exchange ratio is reasonable from a financial standpoint for the shareholders of CaixaBank, S.A. Likewise, Rothschild, S.A. and Deutsche Bank, S.A.E. have issued to the Board of Directors of Banca Cívica, S.A. both recommendations dated on April, 13, 2012 and April, 16, 2012 respectively, on the reasonableness of the exchange ratio, pointing out that according to the performed procedures, the exchange ratio is reasonable from a financial standpoint for the shareholders of Banca Cívica, S.A.

### **3. Assessment of the method by the independent expert**

The estimated values obtained as a result of applying the methods and criteria disclosed by the Boards of Directors shall be aimed, solely and exclusively, at determining the unit value assignable to the share of each company, and limited to the activities related to the merger and the exchange ratio calculation. Therefore, the objective of such values was the implementation of fairness and homogeneity criteria between both companies. In any case, the objective of such values, was not to establish the individual or joint value of the entities outside the context of the merger proceeding.

As an independent expert, we have reviewed and assessed the valuation methods and criteria followed by the Boards of Directors, taking into account, additionally, as part of our analysis, certain issues related to the depth of the Spanish securities market, its liquidity, the specific and special situation of the financial sector, which is undergoing a restructuring process; performing, at the same time, a sensitivity analysis of the most relevant parameters, according to our judgment.

#### **a) Shares' price analysis**

In light of the decision of not taking Banca Cívica, S.A. shares' price as central value in the process of determining the exchange ratio, we have contrasted the arguments supporting such decision, which are mainly, but not solely, based on Banca Cívica, S.A. shares' limited trading volume (and therefore, its liquidity) and its short experience in the securities markets.

This way, we have analysed Banca Cívica, S.A.'s trading volumes compared to the rest of the Spanish financial entities from the date on which Banca Cívica, S.A. began quoting, this is July, 22, 2011 to March, 26, 2012. From this exercise, we have concluded that not only is Banca Cívica, S.A.'s daily average trading volume well below the average traded volume of the rest of entities, but also it is the second lowest in absolute terms of the whole sample of Spanish listed banks (being Banco Español de Crédito, S.A., the lowest one, which we do not consider to be representative, taking into account that Banco Santander, S.A. holds an interest of the 89.7% in the bank, and therefore, the volume of securities trading on the stock market is limited). Likewise, the daily average trading volume in relation with the free float of each bank is also lower than the lowest of the aforementioned sample (0.26% of the free float in the case of Banca Cívica, S.A., being the average of the sector 0,64%). As an example, during the analysed period, the daily average trading volume of the shares of Bankister, S.A., an entity that holds a balance sheet 20% lower than Banca Cívica, S.A., has been 3 times greater than the latter's.

In addition to the fact that the trading volume of Banca Cívica, S.A.'s shares could be below the traded average volume, it is with worth noting that:

- The merger by absorption of Banca Cívica, S.A. into CaixaBank, S.A., implying the dissolution without liquidation and block transfer of its total net assets to the absorbing company, which will acquire the rights and obligations of Banca Cívica, S.A. through a universal succession, is to be performed.
- On the date on which the exchange ratio was fixed, the 2011 annual accounts' audit report of CaixaBank, S.A. has been already published. However, the 2011 annual accounts' audit report of Banca Cívica, S.A. had not yet been released to the market on the aforementioned date. Such report mentioned that the future evolution of Banca Cívica, S.A., and its group is subject to its integration into CaixaBank, S.A. and to the success of the measures and strategies identified to adapt itself to the new regulations and the current situation of the Spanish financial system.
- Following the date on which the exchange ratio was fixed and the release of the 2011 annual accounts' audit report of Banca Cívica, S.A. the Royal Decree Law 18/2012, of 11 May, 2012, on the rationalization and sale of immovable assets, whose effect in terms of

provisions requirements amounts to EUR 901 millions, net of taxes, came into force. These requirements, together with the provisions required by Royal Decree 2/2012, on the rationalization of the financial system which amounted to EUR 933 millions are not registered in Banca Cívica, S.A.'s financial statements as of the date of this report.

- Banca Cívica, S.A. is undergoing an organizational and human resources restructuring process, as well as, the implementation of diverse technological platforms process demanding a significant investment in terms of economic and human resources.

In light of the foregoing, the premise of not considering Banca Cívica, S.A. shares' price as central value in the process of determining the exchange ratio is reasonable.

In contrast to the result of Banca Cívica, S.A.'s price, CaixaBank, S.A. occupies the fourth position in such sample of listed banks regarding daily trading volume, in absolute and relative terms against its free float during the same period of time. CaixaBank, S.A.'s price, regardless of its greater representativeness in terms of trading, has been compared to the performance of a DDM, considering an estimation of the face value of the credit investment and the introduction of market multiples.

#### b) Dividends' Discount Methods

This method, used by CaixaBank, S.A. and Banca Cívica, S.A., is deemed to be one of the most rigorous methods from a theoretical standpoint. It involves calculating the enterprise value of a company based on the current value of future estimated dividends once covered each year capital requirements. The implementation of this method requires that duly supported financial projections collecting the business expectations during the next years are available.

In order to determine Banca Cívica, S.A.'s real value through the DDM, we have used the financial projections furnished by both entities. In the case of CaixaBank, S.A. we have used the internal and public information related to the financial projections from several analysts monitoring the company.

The main, though not the only ones, reviews and contracts we have considered as necessary to analyse, in light of the review of the documents available following the meetings with the management of both entities to implement this method, have been:

- Discount rates: we have estimated the cost of the equity to calculate, as a current value, the dividends of each company, based on the Capital Asset Pricing Model ("CAPM") methodology, which is a standard method for these calculations in determining the enterprise value.
- Review and analysis of the main items in the Balance sheet, which are:
  - Listed and non-listed holdings portfolio: adaption of the valuation methods, main assumptions, etc.
  - Cash and cash equivalents: equity and debt securities, wholesale financing and derivatives, taking into consideration volumes, price discount curves and spreads implemented; maturities, etc.
  - Credit investment: we have reviewed the estimated face value of the credit portfolio of both companies based on information available to the market, information provided by the companies (types of credit holdings) and our experience in such

calculations.

- Real Estate exposure: review of the applicable evaluation criteria and their reasonableness.
- Legal and fiscal aspects: analysis of the most relevant topics and issues of each company on these aspects and quantification of possible contingencies, if applicable.
- Review and analysis of the calculations related the recognition at fair value of Banca Cívica, S.A.
- Analysis of the quality of earnings (*recurrencia*) of the profit and loss account of both entities: the quality of earnings of the results presented on December, 31, 2011 has been analysed in order to establish the starting point of the assessment methods implemented.
- Estimation of the flow discounts associated to the aforementioned analysis.
- Synergies: regarding to the quantification of the internally estimated synergies resulting from the eventual integration, we evaluated the reasonableness of the assumptions used in comparison to the average market of a similar nature and contrasting them only with the absorbing company as if it was another financial operator with similar size and characteristics. Likewise, we have contrasted that these synergies that result from the integration of Banca Cívica, S.A. in CaixaBank, S.A. could be attributed to another financial operator with enough size and operative in Spain comparable to CaixaBank, S.A.

Additionally, about both DDM, we have applied a sensibility analysis to main assumptions. Specifically, we have analyzed the impacts on the obtained value with the DDM that have had determined derivatives adjustments of our analysis of quality of earnings recurrence, such as standardization of results of the entities valued by the participation method, impairment losses of assets, extraordinary release of provisions, gains or losses not classified as assets held for sale, etc. Additionally, for both models of DDM, we also have tested the effect that on the values has the introduction of our calculations about the estimated fair value of the loan portfolio and the real estate exposure, as well as alternatives scenarios of discount rates and sustainable growth in perpetuity.

c) Method of the Adjusted Book Value

To obtain the static value of Banca Cívica, S.A, this entity has used the methodology of the Adjusted Book Value.

Such methodology is based on the Book Value of Banca Cívica, S.A, obtained in the item “Equity” of the consolidated audited balance sheet as of 31 December 2011, upon which several assets have been adjusted to fair value.

In particular, the following items have been adjusted to fair value (net of taxes):

- Estimation of the fair value of the credit portfolio of Banca Cívica, S.A.
- Real estate exposure based on the provisions of Royal Decree-Law 2/2012 of 3 February, on rationalization of the financial system.
- Adjustment to market price of such listed companies which were registered in the accounts of Banca Cívica, S.A. for a different amount.

In connection with the foregoing, we have carried out a methodological review of the information and the calculations made by Banca Cívica, S.A.

d) Method of valuation by multiples of comparable companies

This method used by CaixaBank, S.A. is based on applying multiples of comparable listed companies on the standard financial magnitudes of the company being valued.

To this end, we have selected a comparable sample of banks and saving banks which operate in the Spanish financial system, analyzing their financial magnitudes and eliminating the extraordinary events (punctual results without affecting the activity, exceptional provisions, etc) that can distort the multiples.

Later, we have applied such multiples on the standard magnitudes of CaixaBank, S.A. and Banca Cívica, S.A.

e) Analysis of analyst reports

Additionally, as a contrast method of the obtained values through the application of the valuation by multiples and of DDM, he have performed an analysis of different ranges of values that different analysts come in diverse public reports to which we have had access.

According to the results globally obtained, in application of the contrast methods carried out, we consider that the exchange ratio fixed by the Companies' Boards of Directors explicated in the Common Merger Plan would be not altered.

#### **4. Special difficulties of the valuation**

The main difficulties that have found analyzing and revising the proposed exchange ratio in the common project of merger are those implicit in any estimates about the future behavior of economic variables. We consider, among other, the critical elements of valuations and that are subject to high uncertainty are: i) the changing requirements of provisions of the lending portfolio; ii) the future changes in the fair values associated with real state exposure; and iii) the achievement of synergies referred in the valuation. In this sense, any projection of patrons in the future or current events imply the uncertainty that during their future realization that will be originated deviations which could not have been taken into account and according to their importance may have significant effects on the hypothesis initially considered.

In addition to the abovementioned, the valuation presents several additional elements of complexity due to particularities of finance sector and of the companies to merge, among which, may be included the adequacy to the new capital requirements, provisions and liquidity as consequence of the new regulatory and policy changes, and the current environment in which they operate characterized by difficulty financing markets, crisis in real estate development sector, low interest rates, increase of market risk premiums and sovereign debt in particular, with the consequent impact on prices.

Therefore, all these factors have been considered in order to evaluate the reasonability of the exchange ratio.

#### **5. Scope of our verifications**

Consistently with the objectives of our assignment, our verifications were restricted to the critical review of historical information, the assumptions that –based on the strategic targets specified for each company–have been applied in developing projections and potential synergies, and other documents used for the determination of the exchange ratio.

As part of our work we analysed the fairness of the valuation criteria employed by the Boards of Directors of the companies involved in the merger. In addition, we made additional verifications as we found appropriate for reaching the findings set out in Section 10 below.

Our work comprised the review and assessment of the methods applied by the Boards of Directors of the companies: the Market Capitalisation Method, the Theoretical Dividends Discount Method (DDM), the Method of adjusted book value, the Method of valuation by multiples of comparable listed companies, Analyst's reports and the corroboration, by reference to market parameters and multiples, of potential synergies that might result from the merger. In carrying out our work we relied on certain financial information available.

Specifically, we relied on the findings, opinions and calculations developed by the directors and management teams of the merging companies and the independent experts responsible for evaluating the absorbed company, whose reports had been provided to us as basic documentation. In particular, our work consisted on:

- Identifying the companies involved in the ongoing deal.
- Reviewing the Common Merger Project, the reports written by the directors of both companies and the minutes of the management bodies of the absorbed/absorbing companies.
- Reviewing required approvals, where appropriate, granted by the relevant regulators.
- Obtaining and analysing the annual accounts and audit reports (individual and consolidated) related to the companies involved in the merger as at 31 December 2011.
- Obtaining and analysing the public quarterly information related to both companies.
- Obtaining and analysing relevant events disclosed by both companies, including other information available to the public.
- Reviewing of the adequacy of the methodology and valuation criteria used by the independent experts as part of their assessments.
- Analysing the exchange ratio included in the Common Merger Project, based on the value allocated to the companies involved in the merger, with particular focus on:
  - Analysing the historical evolution of key financial magnitudes and activity indicators, including the latest financial information available.
  - Evaluating Management projections on the future development of the businesses, based on business plans and major assumptions.
  - Reviewing capital gains/losses associated to real estate assets based on relevant appraisals, statistical updates and other widely accepted methods.
  - Reviewing capital gains/losses associated to financial assets (portfolio, derivatives and securities) based on relevant listings, asset valuations and other widely accepted methods.
  - Analysing the credit portfolio in terms of rating (standard, substandard and doubtful) and any provisions made, with particular emphasis on development risk (*riesgo promotor*) and refinanced loans.
  - Reviewing and, where appropriate, giving discount rate estimate that adequately reflects the risk inherent to the businesses of the companies subject to review.

- Reviewing and, where appropriate, giving an estimate of the valuation multiples applied in the valuation of the entities subject to analysis.
- Evaluating the reasonableness of the value range of the companies subject to analysis.
- Verifying the economic value of the companies via generally accepted economic and financial method.
- Updating the information related to the business of the companies to the date of this report to ensure there are no events impacting their valuation.
- Analysing the sensitivity of the major assumptions considered in the valuation models described in Section 3 above.
- Establishing whether the assets contributed to by the absorbed entity are at least equal to the increase of the share capital of the absorbing company.
- Obtaining the directors' letter of representation confirming the oral statements and other information supplied to us in the course of our work, in accordance with the professional standards applicable in these circumstances.
- Analysis of the information gathered from reports related to work conducted by other professionals in the context of the operation:
  - Fairness opinion given by UBS Limited on 18 April 2012 on the financial reasonableness for the shareholders of CaixaBank, S.A. of the exchange ratio.
  - Fairness opinion given J.P. Morgan Limited on 10 May 2012 on the financial reasonableness for the shareholders of CaixaBank, S.A. of the exchange ratio.
  - Fairness opinion given by Deutsche Bank, S.A.E. on 16 April 2012 on the financial reasonableness for the shareholders of Banca Cívica, S.A. of the exchange ratio.
  - Fairness opinion given by Rothschild, S.A. on 13 April 2012 on the financial reasonableness for the shareholders of Banca Cívica, S.A. of the exchange ratio.
  - Model for the valuation of Banca Cívica, S.A. carried out by an expert.
  - Memorandum on the findings of the financial, tax, insurance, pensions, employment and business due diligence of Banca Cívica, S.A. prepared by an expert, according to its final report of 26 March 2012.
  - Memorandum on the findings of the legal due diligence of Banca Cívica, S.A. prepared by an expert, according to its final report of 21 March 2012.
  - Report by BDO Auditores, S.L. on the issuance of bonds mandatorily convertible into shares and involving the exclusion of preemptive rights in the circumstances mentioned in articles 414 and 417 of the Private Companies Act in regards to Banca Cívica, S.A.
- Working meetings with management of both companies.
- Working meetings with auditors of both companies.
- Working meetings with the experts designated to conduct a due diligence review of Banca

Cívica, S.A.

- Working meetings and telephone conversations with experts responsible for developing the DDM model used by the Boards of Directors of each of the companies for the valuation of Banca Cívica, S.A.
- Queering the Management of both companies about significant events occurred between 1 January 2012 and the date of this report that might have a material effect on the exchange ratio.
- Obtaining written confirmation from the Management of both companies that they have made available to us all data and information that could materially affect the merger. In particular, obtaining from Management written confirmation that the directors' reports provided to us will be, to the best of their knowledge and belief, approved without changes by each of their respective Boards of Directors.

The above reviews and checks were not intended to verify compliance with statutory or formal requirements (approvals, filings, publicity, deadlines, etc.) other than those mentioned in the introduction of this report and referred to the requirements set forth in article 34 of the Law on Structural Amendments to Private Companies in regards to the value of the assets contributed to and the exchange ratio.

Our work relied on audited and unaudited information provided by the Management of the Companies. Management has formally represented to us that all information provided to us is true and complete. In carrying out our work we assumed the completeness of such information and the fact that it reflects Management's best projection for the businesses of both companies.

## **6. Overview of the value obtained by application of the method used; agreed exchange ratio**

The valuation method used by the Boards of Directors of the companies (see Section 2 above) was applied for the purposes of determining the actual value of the corporate assets of the companies involved in the merger, with a view to working out the exchange ratio of their shares. The values obtained on the basis of this method, therefore, result strictly from applying criteria of fairness and homogeneity between the companies in the context of this merger.

Each one of the verification methods employed yields different results. However, these results may, after weighting, be subsumed into value ranges that approximate the exchange ratio adopted by the Boards of Directors of the companies involved in the merger.

## **7. Exchange ratio and additional compensation**

On the basis of the exchange ratio agreed upon by the Boards of Directors, the exchange ratio of the shares in both companies will be as follows:

- Five shares of CaixaBank, S.A. of €1 par value each per eight shares of Banca Cívica, S.A., of €1 par value each.

The Common Merger Plan provides for no additional compensation in cash.

## **8. Assets contributed to and increase of the share capital of CaixaBank, S.A.**

In order to complete the exchange, CaixaBank, S.A. should allocate up to 310,714,250 shares to the shareholders of Banca Cívica, S.A.

The maximum number of shares to be issued by CaixaBank, S.A. as a result of the merger may be lower depending on three different factors: i) the number of treasury stock held by CaixaBank, S.A. to be given as part of the exchange instead of allocating new shares of CaixaBank, S.A.; ii) the number of treasury stock held by Banca Cívica, S.A.; and iii) the number of Banca Cívica, S.A. shares owned by CaixaBank, S.A., which means that the possibility of an incomplete subscription of the share capital increase should be expressly anticipated.

Also, pursuant to business combination rules, it is hereby stated that “issue or merger premium” (the “Issue Premium”) means the difference between (i) the market value, as at the date on which the Merger is to become effective for accounting purposes, of the newly issued shares in CaixaBank finally allocated to carry out the exchange and (ii) their face value.

## **9. Subsequent events**

According to the directors of the companies involved in the merger, between the date of the merger balance sheets and the date of this report, there have been no significant events (other than those mentioned in section 1.4 of this report) that could alter the information contained in the Common Merger Plan.

Below we detail the most relevant regulatory changes occurred in 2012.

### Events occurred after the merger balance sheet (31 December 2012) but prior to the Common Merger Plan (18 April 2012).

As indicated in Note 1 regarding the events occurred post CaixaBank, S.A.’s annual accounts, on 7 February 2012 and following the enactment of Royal Decree Law 2/2012 on the restructuring of the financial system, CaixaBank, S.A. notified its preliminary estimate for complying with the regulatory requirements in terms of real estate asset restructuring. This is €2.436 billion and corresponds in whole to increased loan portfolio provisions. No additional provision is required for the foreclosed assets portfolio.

The generation of recurring operating income and the availability of provisions existing as at 31 December 2011 has enabled CaixaBank, S.A. to meet such regulatory requirements in the first quarter of 2012.

The estimated capital requirement, additional to increased provisions, is €745 million. In order to meet this, as at 31 December 2011, CaixaBank, S.A. has available a €6.376 billion surplus in equity above required core capital, the ratio being 12,6 % (against the minimum 8% required).

Also, on 8 February 2012, Grupo Banca Cívica informed that according to provisional estimates by the directors, the amount of extra provisions required under Royal Decree–Law 2/2012 could be €1.248 billion. Furthermore, the additional surplus above core capital according to its exposure to certain assets, as calculated on the basis of the impairment ratios set forth in the aforesaid Royal Decree-Law, would be €783 million.

As indicated in the consolidated annual accounts of Grupo Banca Cívica, in order to fulfil these requirements, the Group has in 2011 €315 million in losses due to a review of the businesses merged on 31 December 2010, as a result of which the previous provision deficit was cut to €933 million. Also, Grupo Banca Cívica has available generic provisions recorded as at 31 December 2011 in the amount of €257 million and a recurrent operating margin for 2012 which, along with capital gains generated from the disposal of non-strategic assets and businesses, including disinvestments in assets affected by such new requirements, would enable it to meet estimated provision needs.

Finally, Banca Cívica, S.A.’s requirements in terms of additional capital under Royal Decree-Law 2/2012 could be met with the existing capital surplus above the minimum 8% required and via the preferred stock conversion programme, which could reach €904 million.

#### Events occurred after the Common Merger Plan (18 April 2012).

For the purposes of Royal Decree Law 18/2012, of 11 May on the restructuring of real estate assets in the financial sector, on 13 May 2012 CaixaBank, S.A. notified a preliminary estimate of the greater provisions required to cover property loans rated as unproblematic.

As at 31 December 2011, the estimated amount of increased provisions required to cover unproblematic property loans of CaixaBank, S.A. is €2.102 billion (€1.471 billion net of taxes).

CaixaBank, S.A. stated it intends to absorb the impact resulting from such greater provision requirements by increasing operating earnings and through its ability to realise capital gains.

As for Banca Cívica, S.A. the estimated amount of increased provisions to cover unproblematic property loans as at 31 December 2011, is €1.287 billion (€901 million net of taxes) in accordance with the relevant event published on 14 May 2012.

In the valuation models used to establish the exchange ratio, the implications of the provision requirements resulting from the application of Royal Decree Law 18/2012 are found to be taken into account in calculating the fair value estimates of the lending portfolios of both companies.

In connection with collective bargaining agreements related to employment, it should be noted that on 22 May 2012 representatives of CaixaBank and Banca Cívica have entered into two collective bargaining agreements, named collective bargaining agreement on restructuring measures of Banca Cívica (“Acuerdo Colectivo Sobre Medidas de Reestructuración de Banca Cívica”) and the labour agreement on the integration of Banca Cívica (“acuerdo laboral de integración de Banca Cívica”).

#### **10. Conclusion**

As a result of our work and strictly for the purposes of complying with article 34.3 of the Law 3/2009 on Structural Amendments to Private Corporations, based on the comments made in Sections 3, 4 and 8 of this report, in the context of the analysed merger and following our verifications of the methods applied to work out the actual value of the merging entities, including the values resulting therefrom, we believe that the exchange ratio specified in the Common Merger Plan is justified. We also believe that the assets contributed to by the absorbed company, Banca Cívica, S.A. are at least equal to the maximum amount of the increase of the share capital of the absorbing company, CaixaBank, S.A.

Our conclusion should be taken in the context of the scope of our verifications. It comprises no additional responsibilities other than those referred to the reasonableness of the method used and the fairness and homogeneity with which it was applied. In this context, we relied on financial information provided by CaixaBank, S.A. and Banca Cívica, S.A. whose accuracy and completeness we assumed rather than verifying it in detail. Therefore we decline all liability for the truthfulness of historical accounting data and the achievement of the future benefits projections employed in developing the verification methods.

This report was written solely for the purposes set out in article 34 of the Law on Structural Amendments to Private Companies and may not be used for any other purpose.