

Translation of the answer to General Markets Division (CNMV) originally prepared in Spanish. In the event of a discrepancy, the original Spanish-language version prevails.

General Markets Division
Comisión Nacional del Mercado de Valores
C/Edison, 4
28006 Madrid

Dear Sirs:

We are pleased to provide you with the following response to your request dated 3 August 2015 for additional information on the 2015 consolidated financial statements of the CaixaBank Group ("the Group", "the Entity" or "the Bank").

Firstly, to determine the relevant and material issues for users of financial financial information so that they have sufficient information to understand the financial position, the Group has taken into consideration 29-31 of IAS 1 *Presentation of Financial Statements* in the preparation of its consolidated financial statements.

QUESTION 1. In 2016, the European supervisors agreed to set, together with ESMA, common enforcement priorities for 2015 financial statements in order to promote consistent application of IFRSs across the EU. With this objective, ESMA published *European Common Enforce Priorities for 2015 financial statements*, in which the statement of cash flows is an enforcement priority.

Accordingly, the following disclosure is requested:

1.1. In accordance with paragraph 31 of IAS 7 *Statement of Cash Flows*, the separate disclosure of cash flows from interest received and paid and cash flows from dividends received.

Response. Interest received and paid in 2015 amounted to EUR 8,682 million and EUR 4,411 million, respectively. The amount of dividends received in 2015 was EUR 485 million.

QUESTION 2. In Note 19 Tangible Assets in the notes to the consolidated financial statements, the entity discloses the carrying amount of investment property, of EUR 3,253 million. Note 2.16 explains how fair value of investment property is estimated, but does not disclose the amount of investment property.

In accordance with 79 (e) of IAS 40 *Investment Property*, the entity must disclose the fair value of investment property or, in the exceptional cases when it cannot measure the fair value of the investment property reliably, it must disclose: (i) a description of the investment property; (ii) an explanation of why fair value cannot be measured reliably; and (iii) if possible, the range of estimates within which fair value is highly likely to lie.

2.1. Disclosure of the information referred to in paragraph 79 (e) of IAS 40.

Response. *As explained in Note 2.16, the fair value of investment property is estimated based on the market appraisal of the asset in its current condition by independent experts. To determine fair value at 31 December 2015, appraisals were requested in accordance with the criteria established by Ministerial Order ECO/805/003 when the latest available appraisal was over two years old or the gross carrying amount of the asset was over EUR 1 million. Statistical appraisals were carried out for the rest of the assets.*

This amount was reviewed by an independent expert based on the discount of rental income from the portfolio of investment property taking into consideration Ministerial Order ECO/805/003 for the estimation of the appraisal value based on rents.

On the basis of the appraisals available at 31 December 2015, the fair value of the portfolio of investment properties does not differ significantly from the carrying amount indicated in Note 19 to the consolidated financial statements.

In accordance with paragraph 93 (i) of IFRS 13 *Fair Value Measurement*, regarding the non-current assets held for sale disclosed in Note 16 to the consolidated financial statements, and for investment property:

2.2. Indicate if the highest and best use of the asset differs from its current use.

Response. *The Group manages real estate assets to maximise their economic value. With this objective, the Group assesses the appropriateness of keeping the assets to earn rentals or of obtaining capital gains through their sale. Therefore, at the reporting date it considers that the use of the assets is line with this objective, which is therefore the highest and best use.*

QUESTION 3. On 26 April 2016, the process under which the Court of Justice of the European Union (CJEU) must issue a ruling on the retroactive effect of Spanish rulings on floor clauses began. The European Commission has defended full retroactive reimbursement in relation to floor clauses if there is a declaration of invalidity in a final judgement.

The European Commission considers that an injunction to desist from using a particular term declared invalid as unfair in an individual action brought by a consumer is not compatible with a limitation of the effects of such declaration of nullity, unless such limitation is necessary to preserve the principle of *res judicata*. It also adds that in accordance with Articles 6(1) and 7(1) of Directive 93/13/EEC, national courts may not reduce the reimbursement of any sums paid by the consumer under a term subsequently declared void *ex tunc* for want of information and/or transparency.

In accordance with the preliminary ruling of 13 July 2016 of the Advocate General of the Court of Justice of the European Union, the financial institution will not have to refund in full all excess amounts received for unfair floor clauses in mortgage contracts, but rather from 9 May 2013, as set out in ruling No. 241/2013 of the Tribunal Supremo (Spanish Supreme Court), which sentenced BBVA, Cajamar and Abanca to refund the amount of floor clauses in mortgages only from May 2013.

The European Court ruling could affect the collective actions brought some 15,000 consumers affected by the clauses and defended by Adicae before Juzgado de lo Mercantil No. 11 de Madrid (Commercial Court 11, Madrid), which covers virtually the entire financial sector.

Regarding this legal proceeding, as indicated in Note 24 to the consolidated financial statements, the Group removed these clauses in 2015, recognising a provision for approximately EUR 500 million based on the expected cost of reimbursement of the amounts received between May 2013 and the date the clause was removed.

In accordance with paragraph 86 of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*, unless the possibility of any outflow in settlement is remote, the entity must disclose, for each class of contingent liability at the end of the reporting period, a brief description of the nature of the contingent liability and, where practicable, an indication of the uncertainties relating to the amount or timing of any outflow. In addition, in accordance with paragraph 88 of this standard, when a provision and a contingent liability arise from the same set of circumstances, the entity must make disclosures in a way that shows the link between the provision and the contingent liability.

Regarding the legal proceedings, a request is made to:

3.1. Give an update as at the date of response to this request on the situation of the proceeding under way in the Court of Justice of the European Union, and with respect to the estimate of the additional amount to the provision already recognised at the end of 2015 of EUR 500 million that would have to be refunded if the retroactive effect of the invalidation of floor clauses to the date of the contracts is declared.

In this respect, indicate the maximum amount you consider should be refunded if the full retroactive effect of the terms considered invalid is declared, along with the key criteria, assumptions and judgements underlying your estimate and the degree of probability assigned as at the date of your response to this request. If you consider payment of this amount to be remote, explain the judgements and factors supporting this estimation.

3.2. Detail the analysis performed by the entity that concluded that it was not necessary to recognise an additional provision in relation to the proceeding with the Court of Justice of the European

Union or disclose this circumstance as a contingent liability at 31 December 2014 in accordance with paragraph 14 of IAS 37.

Response. *Regarding questions 3.1 and 3.2, Note 15 to the Group's interim financial information for the six months ended 30 June 2016, which was prepared in accordance with IAS 34 by the Board of Directors at its meeting of 28 July 2016 and published on the website of the CNMV the following day, provides an update on this legal proceeding. Following is the transcription of the note included in the interim consolidated financial statements at 30 June 2016:*

"A class action was filed resulting in an injunction on the application of floor clauses in certain mortgage loans in the Bank's portfolio.

A judgement was issued on 7 April 2016 rendering null and void the floor clauses in the general terms and conditions of the mortgage loan agreements entered into with consumers that were identical to those affected by the class action, due to a lack of transparency, with banks having to: eliminate said clauses from loan agreements; (ii) stop using them in a non-transparent manner; and (iii) repay to affected consumers the amounts unduly charged as a result of applying the null and void clauses as from the date of the Supreme Court judgement of 9 May 2013, plus any applicable interest payable by law. The Group eliminated these floor clauses in 2015, with an annual impact on net interest income of EUR -220 million.

This judgement is not final, as it has been appealed against by several parties including CaixaBank. In its appeal, the ADICAE consumer association called for reimbursements not to be limited to the amounts collected since 9 May 2013 but include, in each case, all amounts collected since each mortgage loan was arranged. The Public Prosecutor has opposed this request (unless the European Court of Justice rules otherwise). For the CaixaBank Group this means a maximum exposure of approximately EUR 1,250 million.

In this respect, on 13 July 2016, the Advocate General of the European Union, which issues its opinion prior to the ruling handed down by the Court of Justice of the European Union (CJEU), has decided in favour of the Supreme Court's decision to limit repayments to May 2013 (the doctrine applied by Juzgado Mercantil 11, Spain), and considering that the CJEU usually upholds the reports issued by the General Advocate, a fully retroactive scenario is not currently being considered.

Based on the above, the Group has a total provision of EUR 515 million, which was already set aside at the 2015 year-end, to cover the estimated value of disbursements that could derive from this case, based on what the Bank deems to be the most probable outcome at the current time."

In addition, between the date of authorisation for issue of the interim financial statements for the six months ended 30 June 2016 (i.e. 28 July 2016) and the date of this letter, no additional circumstances have occurred, nor is greater or better information available, that could result in the modification of the amount of provisions recognised or the maximum exposure.

QUESTION 4. Regarding the preparation of financial statements in future periods, a series of recommendations to be applied is listed.

Response. *The information and recommendations listed in Issue 4 will be taken into consideration, where appropriate, in the preparation of future consolidated financial statements.*

We hope that the additional information provided in this letter answers the questions or satisfies all the information requests in your request for additional information regarding the 2015 consolidated financial statements. Please do not hesitate to contact us for any further information or clarification you may require.

Yours faithfully,