



**REPORT ON THE DELEGATION TO THE BOARD OF DIRECTORS OF THE POWER TO ISSUE SECURITIES, BONDS, PREFERRED STOCK AND ANY OTHER FIXED INCOME SECURITIES OR DEBT INSTRUMENTS OF AN ANALOGOUS NATURE CONVERTIBLE INTO SHARES OF CAIXABANK, S.A. OR SECURITIES THAT MAY GIVE RISE, DIRECTLY OR INDIRECTLY, TO THE SUBSCRIPTION OR ACQUISITION OF COMPANY SHARES, INCLUDING WARRANTS, THE POWER TO INCREASE SOCIAL CAPITAL IN THE AMOUNT REQUIRED AND TO EXCLUDE, IF APPLICABLE, THE PREFERRED SUBSCRIPTION RIGHT.**

**Board of Directors - 10 March 2016**

The Board of Directors of CaixaBank, S.A. (hereinafter the "**Company**" or "**CaixaBank**"), subject to the provisions of Article 511 of Royal Legislative Decree 1/2010 dated 2 July, which approved the revised text of the Spanish Capital Companies Act ("**Ley de Sociedades de Capital**") and 319 from the Mercantile Registry Regulations, issues this report, in order to justify the proposal in point 12 of the Agenda relating to the delegation to the Board of Directors, for a period of five years, of the power to issue in one or more occasions, securities, bonds, preferred stock and any other fixed income securities or debt instruments of an analogous nature convertible into shares of the Company or that may directly or indirectly give the right to the subscription or acquisition of shares in the Company, including warrants, for a maximum amount of three thousand (3,000) million euros (or its equivalent in foreign currency); the power to specify the basis and methods of conversion and/or exchange, if applicable; as well as the possibility to increase the share capital by the necessary amount, and with powers to exclude the preferential subscription rights of the shareholders of the Company, superseding the part that has not been used of the authority to issue convertible fixed income securities granted in accordance with the 13 resolution of the Ordinary General Meeting of Shareholders on 25 April 2013.

The securities that may be issued under this authorisation may incorporate the possibility of being additionally or alternatively exchangeable for existing shares of the Company or payable by differences. For purposes of clarification, it is noted that the issuance of fixed income securities that are exclusively exchangeable (i.e. that are not additionally or alternatively convertible into newly-issued Company shares) for existing shares in the Company or in other entities -having CaixaBank a participation interest in such entities or not- or solely payable by differences, are not subject to this proposal of delegation and shall be governed by the regulations in force and Articles 14 and 15 of the Company By-laws in accordance with the proposed drafting at the General Shareholders' Meeting in point 7.1 of the Agenda, after being approved and having obtained the corresponding authorisation for amendment of the By-laws or, prior to being approved and obtaining this authorisation, under the terms of the delegation agreement approved by the General Shareholders' Meeting dated 25 April 2013, in accordance with item 9 of the agenda, by virtue of the previous legal and statutory system.

The dynamics of any commercial company and, especially, a large listed company, require that its governing and management bodies have access at all times to the best instruments to ensure they are able to quickly meet any and all of the Company's requirements, according to market conditions. To these purposes, it is deemed necessary that the Board of Directors has a broad flexibility to capture resources by issuing convertible securities in general, and, in particular, based on the current regulatory situation and the financial markets, by means of convertible instruments that comply with the requirements set forth in EU Regulation 575/2013 dated June 26, 2013 of the European Parliament and of the Council, on prudential requirements for credit institutions and investment firms ("**Regulation EU 575/2013**"), so that new capture resources may be considered tier 1 additional capital. This flexibility and agility are especially appropriate in the current situation of credit restriction, in which the

changing market circumstances make it advisable for the Company Board of Directors to have the necessary means to appeal at all times to the various sources of funding available in order to obtain the most favourable financial terms.

One of the financial instruments commonly used to capture own resources or stable external resources is the issue of bonds in their various forms: simple, subordinated, exchangeable, convertible, etc. In addition to the advantages of simple debentures, convertible ones may present significant additional benefits. Thus, they are favourable for the issuer because they can be an efficient form of financing in terms of cost or issuance of new capital.

Also the necessarily convertible debt instruments that meet certain requirements allow the equity structure to be optimised for the purposes of meeting capital and solvency requirements, with a solid capital position, and more than fulfilling the capital ratios required under current regulations, allowing an increase in own resources at a lower cost. For this reason, it is considered advisable to empower the board to issue securities that enable the Company to maintain and, where appropriate, increase the computable capital ratios required by the current regulations in a flexible and agile manner.

Moreover, it may also be of interest for investors to have this mixture of fixed income and variable income, since they incorporate the ability to be transformed into Company shares if certain conditions are met. For investors, these advantages are those which may potentially determine that it is an attractive investment instrument from the point of view of sound financial management.

The Board of Directors believes that the proposed agreement presented to the General Meeting of Company Shareholders is motivated by the opportunity to provide the Board with room for manoeuvre and response capacity granted by the authorisations permitted by current legislation, by virtue of which, without having to previously call and hold a Shareholders' Meeting (entailing unavoidable delay and costs), provides the opportunity, within the limitations and in the terms and conditions approved by the General Meeting, to issue bonds, securities, preferred stock and any other fixed income securities or debt instruments of an analogous nature, convertible to CaixaBank shares or that may, directly or indirectly, give the right to subscribe or acquire shares of the Company, including warrants which are deemed suitable for corporate interests.

As mentioned above, this proposal is carried out under the provisions of Article 511 of the Capital Companies Act and 319 of the Mercantile Registry Regulations, which establish the possibility of delegation by the General Meeting of shareholders to the Board of Directors of the power to issue bonds convertible into shares, warrants and other similar securities that may directly or indirectly entitle the holder to the subscription of Company shares, including the power to exclude preferential subscription rights.

The proposed agreement establishes a maximum amount of three thousand (3,000) million euros (or its equivalent in foreign currency) for the issuance of which authorisation is sought. The Board of Directors believes that this amount is large enough to allow the Company to acquire the necessary funds in the capital markets to develop the financing policy of the Company and its group and, where appropriate, to increase the computable ratios of capital in accordance with current regulations on capital resources and solvency prudential requirements.

The proposed resolution on delegation to the Board of Directors also includes the power to approve the necessary capital increase to cover the conversion. This power may only be exercised as long as this increase by delegation, together with the other capital increases that have been approved by the Board of Directors under the authorisation granted by the

General Meeting, does not exceed half of the share capital, in accordance with Article 297.1.b) of the Capital Companies Act. In this regard, the amount of capital increases, if applicable, and in order to cover the conversion of debentures, warrants or other securities, which are carried out under this delegation, shall be deemed to be included within the limit available at all times in order to increase the share capital. Directive 2013/36/EU of the European Parliament and of the Council dated 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, EU Regulation 575/2013 on prudential requirements for credit and investment services institutions and Law 11/2015 dated 18 June on recovery and resolution of credit institutions and investment service companies, provide for the need for credit institutions to equip themselves, in determined proportions, with various instruments in the composition of their regulatory capital so that they may be considered adequately capitalised. Thus, different categories of capital are considered which should be covered by specific instruments. Although the capital position of the Company is adequate at the moment, it has been considered necessary to adopt an agreement that allows the issue of instruments that may eventually be convertible, under certain conditions. To the extent that the issue of such instruments entails the need for an authorised capital which, at the time of its issue, covers an eventual convertibility and in order to give the Company greater flexibility, it has been considered appropriate to propose the increases in share capital that the Board approves to be made under the delegation agreement discussed in this report to cover the conversion of securities in the issue of which preferential subscription rights have been excluded, shall not be subject to the maximum limit of 20% of capital approved by the General Meeting of Shareholders on April 23, 2015, under item 14<sup>o</sup> of the agenda.

The agreement to delegate the power to the Board of Directors to issue convertible bonds which, if applicable, would be additionally or alternatively exchangeable bonds or payable by differences, as well as warrants and other analogous securities, distinguishes between convertible bonds, specifically regulated under the Capital Companies Act, and warrants or any other security which, in practice, involve the right of the subscriber to the conversion into Company shares. This distinction clarifies the possible varying interpretations arising from the fact that these securities are not subject to specific regulation in the Capital Companies Act. The agreement obliges the Board of Directors, in the issue of these securities, to ensure strict compliance with the applicable regulations for issues of convertible securities specifically regulated in the Capital Companies Act which are applicable according to its nature, thus avoiding the situation where it could be interpreted that the absence of a specific regulation makes it unnecessary to comply with the requirements of that legislation for the convertible bonds to the extent that they are applicable to the warrants due to their nature. In summary, the conditions of the above mentioned agreement in practice treat all types of securities the same where they involve a right to subscribe to shares of the Company.

The proposed resolution also establishes the criteria for determining the basis and methods of conversion and/or exchange, if applicable, although it entrusts to the Board of Directors, in the event that this agreement makes use of the authorisation of the Meeting, the specification of such basis and methods for each issue within the limits and in accordance with the criteria established by the Meeting. Thus, it will be the Board of Directors who determines the specific conversion ratio, and to this end it shall, at the time of approving an issue of convertible securities which, if applicable, may be additionally or alternatively exchangeable or payable by differences, issue a report detailing the specific basis and methods of the conversion and/or exchange applicable to the indicated issue, which will also be accompanied by a report from an accounting auditor different from the auditor of the

Company, appointed by the Commercial Registry, in accordance with article 414 of the Capital Companies Act.

Specifically, the proposal submitted by the Board to the approval of the General Meeting sets forth that, for the purposes of conversion and/or exchange, if applicable, the fixed income securities will be valued at their nominal value and the shares at the exchange that is established by the Board of Directors in the agreement that makes use of this delegation, or at the exchange determinable on the date or dates close to the date of issue specified in the agreement of the Board, with or without discount or premium.

It may also be agreed to issue the additionally or alternatively exchangeable convertible fixed income securities and, where the case may be, with a variable conversion and/or redemption ratio (including, as the case may be, maximum and minimum limitations to the conversion and/or exchange price). In this case, the price of the shares for purposes of the conversion and/or redemption will be determined by the Board of Directors and may include a premium or a discount with regard to the price per share resulting from the criteria established.

Thus, the Board considers that it is given sufficient flexibility to set the value of the shares for purposes of conversion depending on market conditions and other applicable considerations.

In the case of the warrants and other analogous securities that may give directly or indirectly right to subscribe Company shares and that, as the case may be, are additionally or alternatively exchangeable to shares in the Company or in other companies, the rules on convertible bonds contained in the proposal shall apply, to the extent that they are compatible with their nature.

Furthermore, as is apparent from Article 415.2 of the Capital Companies Act, the agreement to delegate the authority to the Board to issue convertible securities provides, for the purposes of their conversion, that the nominal value of the bonds is not less than the nominal share value. Nor may they issue convertible bonds for less than their nominal value.

Furthermore, it is noted that the authorisation includes, pursuant to the provisions of Articles 308, 417 and 511 of the Capital Companies Act, the attribution to the Board of Directors of the power to exclude, in whole or in part, the right of preferential subscription of the shareholders, when this is necessary to attract financial resources in the markets or is otherwise justified by the corporate interest.

The Board believes that the possibility of excluding pre-emption rights is justified, assuming the existence of the Company's corporate interest, by the flexibility and agility that is required to act in the current financial markets to take advantage of the moments in which market conditions are more favourable. This justification is especially relevant when capturing financial resources takes place in international markets, in which most negotiated resources and the agility in which action takes place may allow the capture of high amounts of funds in more favourable conditions through bookbuilding processes. The Board believes that the suppression of pre-emption rights may allow a relative reduction in the financial cost and the costs associated with the operation (including, especially, commissions charged by financial entities involved in the issue) compared with an issue with pre-emption rights, while at the same time having less of a distorting effect on the trading of the shares of the Company during the issue period. In any event, in accordance with the provisions of Article 511 of the Capital Companies Act, if the Board were to decide to eliminate the preferential subscription right of the shareholders for some or all of the issues that it eventually decided to undertake pursuant to the delegation of powers, it would issue, while adopting the corresponding resolution to issue, a report detailing the specific corporate interest reasons that justify such a measure, which would be accompanied by an independent expert's report,

which is not the auditor of the Company, appointed by the Companies Registry, as referred to in Article 417 of the Capital Companies Act. These reports must be sent to the shareholders and communicated at the first General Meeting held after the issue is agreed upon.

Likewise, the Board has submitted the necessary proposals so that the securities that may be issued under this authorisation be admitted to trading in any secondary market, organised or not, official or not, national or foreign.

In conclusion, the resolution proposed to the General Meeting provides the Board of Directors with room for manoeuvre and capacity to respond, and is justified by the flexibility and agility which is a necessity when acting in today's financial markets in order to take advantage of those moments when market conditions are more favourable. Furthermore, although the capital position of the Company is adequate at the moment, the resolution proposed to the General Meeting allows optimisation and increase of the own resources structure of the Company and complying with the current and future regulations on capital resources and solvency prudential requirements of credit institutions.

Barcelona, 10 March 2016