

Madrid, February 12, 2016

**Audit and Control Committee  
Board of Directors of CaixaBank, S.A.**

**Att.: Mr. Alain Minc**

Chairman of the Committee

Av. Diagonal, 621

08028-Barcelona (Spain)

**Re: Swap agreement entered into between CaixaBank, S.A. and Criteria Caixa, S.A.U.**

Dear Mr. Minc,

The **Spanish Association of Minority Shareholders of Listed Companies (AEMEC)** is a non-profit organization which defends and protects the interests of minority shareholders, creating communication channels between listed companies and their shareholders, promoting the effective participation of shareholders in the governance of listed companies and creating a collaborative culture that promotes and defends the collective rights of shareholders.

Part of our purpose, as we have mentioned above, is to defend the interests of minority shareholders which could be harmed.

In this connection, AEMEC is writing to you on behalf of the minority shareholders of CaixaBank, S.A. (hereinafter "**CaixaBank**") to outline our concerns about the proposed sale by CaixaBank to its controlling shareholder, Criteria Caixa, S.A.U. (hereinafter "**Criteria**"), of CaixaBank's shareholdings in Bank of East Asia, Limited (hereinafter "**BEA**") and Inbursa Financial Group, S.A.B. de C.V. (hereinafter "**GFI**").

Our concerns with this transaction are based on two points: **(i)** first and most importantly, the valuation of the BEA stake and **(ii)** second, the need to have the transaction referred to the General Meeting of Shareholders for approval.

With regard to the first point, the valuation of CaixaBank's shareholding in BEA, the announcement issued by CaixaBank on December 3, 2015 valued it at 1.549 billion euros (3.40 euros per share), which is based on the average price taking into account trading volumes during the month prior to December 2, 2015 (inclusive) and applying the arithmetic mean of the Hong Kong dollar exchange rate published by the European Central Bank during the month before the abovementioned date (inclusive).

It seems clear to us that this proposed transfer is to be carried out on the basis of a valuation assessment - seemingly underpinned by fairness opinions obtained from UBS and Citibank – which does not accord proper value to a significant shareholding (17.24%). This means that the stake would be sold at a significant undervalue, thereby massively short-changing CaixaBank and its shareholders.

The swap agreement entered into between CaixaBank and its holding company, Criteria, was announced on December 3, 2015. On that date, so far as the market was aware, CaixaBank's shareholding in BEA was subject to restrictions contained in a Strategic Investment Agreement between CaixaBank and BEA. The restrictions included one requiring CaixaBank to follow any formal recommendation of the Board of BEA in relation to any takeover offer made for BEA ("**Takeover Restriction**"), meaning that CaixaBank was prevented from accepting a takeover offer for BEA unless such offer was recommended by the Board of BEA (which, based on press articles and other publicly available information, is perhaps unlikely given the controlling family's apparent desire to remain in control of BEA). There was no suggestion or indication given by CaixaBank on or before December 3, 2015 that any amendments would be or were likely to be made to the Strategic Investment Agreement, in particular to the Takeover Restriction.

However, a few weeks after the announcement of this swap transaction, which is still subject to certain necessary approvals, BEA made an announcement on January 19, 2016, stating that Criteria, CaixaBank and BEA had **agreed to remove** from the Strategic Investment Agreement certain **restrictions**, including the Takeover Restriction. This development obviously affects the value of CaixaBank's shareholding in BEA given that, without the relevant restrictions, the value of CaixaBank's shareholding in BEA potentially increases significantly as a result of the enhanced marketability of the shares. Various press reports have stated that the value of a BEA share in a takeover bid scenario, which is now possible following the removal of the Takeover Restriction, could reach as much as HK\$60. It is therefore clear that even if the respective Committees and Boards of Directors of the companies involved in the transaction had not expected or considered the value impact of the restrictions on the value of CaixaBank's shareholding in BEA, the release of the relevant restrictions comprises such a substantial change that a review of the decision to approve the swap transaction is warranted.

It appears that the fact that BEA is one of the few remaining independent banks in Hong Kong following various takeovers of other banks in Hong Kong in recent years has not been taken into consideration. If the actual value of the BEA stake was properly recognized by the Board of Directors of CaixaBank in any sale of the stake, there could be a significant increase in the Tier 1 common equity and capital ratios of CaixaBank, benefiting positively and directly the shareholders, depositors and other stakeholders of CaixaBank.

In summary, and as it is clear from press reports, if the shareholding in BEA was sold to Criteria for HK\$60 per share, the total consideration (as at December 3, 2015) would be approximately 3.3 billion euros, representing approximately 15% of the total

market capitalization of CaixaBank, which, as at December 2, 2015 (being the last trading day before the transaction was announced), amounted to 20.6 billion euros.

Based on the current market capitalization of CaixaBank, this percentage would be even higher and would be approximately 21%. On the other hand, if the proposed swap transaction involving CaixaBank's shareholding in BEA was completed, the amount that CaixaBank would forego would be approximately 1.5 billion euros (as at December 3, 2015). Accordingly, the current valuation of the transaction would result in CaixaBank giving up consideration in the amount of more than 1.7 billion euros for no apparent reason, on the basis that, as stated above, the value per BEA share is HK\$60.

In this connection, we express our surprise at the fact that CaixaBank, as far as we know, has made no public announcement regarding the lifting of the Takeover Restriction and has not communicated this development to the CNMV.

This development raises a number of fundamental questions, which we hope you can answer:

- (i) why has CaixaBank remained silent about the lifting of the Takeover Restriction;
- (ii) what did members of the Board of Directors (including the members of the ad hoc and Audit and Control Committees) know, what should they have known or what did they intend as regards the Takeover Restriction on or before December 3, 2015 when CaixaBank announced the intended transfer of the BEA stake by way of the related party transaction;
- (iii) what instructions in relation to the valuation of the 17.24% shareholding were provided to UBS and Citibank and to what extent was the aforementioned Takeover Restriction taken into consideration for the purpose of the fairness opinions;
- (iv) whether the Committee believes that certain missing relevant information should have been communicated to the Audit and Control Committee and/or the independent experts in order for them to be able to issue an accurate opinion in respect of the value of the transaction, taking into account all relevant elements; and
- (v) whether, given the emergence of these new facts, which are of material importance to the assets to be transferred, the Audit and Control Committee considers that a thorough review of the terms of the transaction is required.

With regard to the second question, namely a possible referral to the General Meeting of Shareholders, we believe that since material assets of the company are at issue, the transaction should be presented to the General Meeting of Shareholders for approval.

In our view, there are arguments which support the authority of the General Meeting to approve this transaction: **(i)** if the assets were to be transferred for their real market value in the current circumstances, the transaction would represent, as we have mentioned above, a high enough percentage of the market capitalization of the company to mean that the assets would be deemed significant assets; and **(ii)** given that the relevant assets are shares in a banking (non-industrial) business located in strategic geographical locations that are important as regards the business of CaixaBank, the assets should not be classified as anything other than significant assets. BEA is, as we have mentioned above, a gateway to the Asian market and completion of the proposed transaction (including with respect to the shares in GFI), could disrupt the international strategy that has been pursued by CaixaBank and which has been endorsed by shareholders.

Given that the relevant assets are significant assets, we understand that according to the provisions of Article 160(f) of the Corporations Act and the standards of corporate governance and the principles of transparency and good practices which should be followed in the current case, the transaction should be presented to the General Meeting of Shareholders of CaixaBank for approval.

In summary and based on the foregoing, we believe that the minority shareholders of CaixaBank should be duly informed of all the circumstances surrounding the transaction, including critical factors which are linked to the value of CaixaBank's shareholding in BEA, which factors should have been taken into account by UBS and Citi as well as by members of the ad hoc Committee which analysed the transaction, the Audit and Control Committee and all other directors of CaixaBank.

Given that the transaction is a related party transaction, the Committee should note that the corporate governance recommendations provide that the highest standard of transparency should be applied to this type of transaction and that the Board of Directors of CaixaBank should ensure that the interests of all shareholders of the company should be safeguarded and that under no circumstances should the private interests of a significant shareholder be promoted at the expense of the interests of the shareholders of CaixaBank as a whole.

As mentioned above, the sale of CaixaBank's shareholding in BEA under the currently proposed terms not only results in serious financial loss for the shareholders of CaixaBank, but also represents a significant and economically and strategically important transaction which leads us, as mentioned above, to characterise the relevant shares as a significant asset.

If after due consideration, all these concerns are also shared by the Committee, AEMEC requests that the Committee considers adopting the following actions:

- i. Revoke the swap transaction,

- ii. If the Committee's intention is to proceed with the proposed sale, to set up a new ad hoc Committee of the Board of Directors;
- iii. Require the ad hoc Committee to issue a new report evaluating the merits of the transaction for all of CaixaBank's shareholders;
- iv. Obtain a new fairness opinion from the same of different advisors to assess the transaction in light of all relevant factors;
- v. Make available to the public the reports that were issued by the different Committees (the ad hoc Committee and the Audit and Control Committee) in respect of the transaction;
- vi. At the next General Meeting of Shareholders of CaixaBank, present the proposed transaction to shareholders for their approval. If completion of the proposed transaction is imminent, then an Extraordinary General Meeting should be called.
- vii. Finally, reconsider CaixaBank's valuation of its shareholding in BEA, in light of the new facts, in order to protect the interests of minority shareholders.

The issues addressed in this letter do not solely advance the interests of the minority shareholders of CaixaBank but also the interests of investors, the market and the general public, especially given the importance of such issues for listed companies and the principles and obligations of transparency and good corporate governance.

By way of this letter, AEMEC seeks the Committee's urgent cooperation. We also believe that it would be useful for CaixaBank shareholders and the market in general to be informed about these circumstances and for the Public Administration, the CNMV, the various organizations of which AEMEC is a member, the regulatory agencies and the general public to be informed about the contents of this letter. We believe that transparency and public debate would be beneficial to all stakeholders (administrators, shareholders, supervisors, regulators and the market as a whole) in this delicate decision-making process.

The overall nature of this transaction is that an essential asset is being sold at far below its real value and involves consideration payable partly by way of the buyback of treasury shares. Whilst there may be reasons for the transaction to proceed, it must be carried out in accordance with the law and must accord fair treatment to both minority shareholders and controlling shareholders.

When CaixaBank invited the Spanish and the international financial community to participate in a project full of enthusiasm and business expectations five years ago (which project, fortunately, is still ongoing), investors relied on CaixaBank's scrupulous respect for market rules and good practices, both of which we are certain will also ultimately govern this transaction.

Please provide us with your response forthwith and keep us informed about your intended actions in relation to this matter. We would obviously be pleased to meet with you, if necessary, to explain all these considerations and hear your comments.

Sincerely,

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Mrs. María Fernandez Conradi  
Executive Director of AEMEC