REPORT DRAWN UP BY THE BOARD OF DIRECTORS OF BANCA CÍVICA, S.A. IN RELATION TO THE PROPOSAL FOR THE AGREEMENT OF AN ISSUE OF BONDS NECESSARILY CONVERTIBLE INTO AND/OR SWAPPABLE FOR SHARES OF BANCA CÍVICA, S.A. FOR THE AMOUNT OF €904,031,000 TO BE SUBSCRIBED BY THE HOLDERS OF PARTICIPATING PREFERENCE SHARES TO WHOM THE BUYBACK OFFER IS BEING MADE, WITH AN ANTICIPATED INCOMPLETE SUBSCRIPTION AND WITH EXCLUSION OF THE PRE-EMPTIVE RIGHT OF SUBSCRIPTION (ITEM NINE ON THE AGENDA).

18 April 2012.

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1. *Purpose of the report*

This report is drawn up in relation to the proposal for the issue of bonds necessarily convertible into and/or swappable for shares of Banca Cívica, S.A. (hereinafter referred to as **"Banca Cívica"** or the **"Company"**) for the amount of €904,031,000 to be subscribed by the holders of participating preference shares to whom the buyback offer is being made, with exclusion of the pre-emptive right of subscription.

In order to attend the applications for the conversion of the necessarily convertible and/or swappable bonds (hereinafter referred to as the "**Bonds**"), the proposed agreement also includes the agreement for the increase of share capital for the amount required to attend said applications for conversion in the event of the issue of new shares.

The report is issued in fulfilment of articles 414 and following of Legislative Royal Decree 1/2010 of 2 July, which adopts the rewritten text of the Capital Companies Act (hereinafter referred to as the "**Capital Companies Act**").

2. *Description of the transaction*

The issue of Bonds provided in this report is linked to the buyback offer of participating preference shares for the amortisation thereof and is for the holders of the following participating preference shares:

Name	*ISIN*	*Issue date*	*Amount issued (€thousands)*	*Coupon*
P. Pref. Series A El Monte Capital Sau	KYG3014M1024	04/08/2000	130,000	EUR 12 months + 0.40%
P. Pref. July 2001 San Fernando Preference Limited	KYG1755U1195	15/07/2001	120,000	EUR 6 months + 0.25%
P. Pref. Series B El Monte P. Pref. S.A. ..	ES0128469006	15/06/2006	37,000	EUR 12 months + 0.55%
P. Pref. Series I - Caja Canarias	ES0115009005	05/08/2009	67,031	EUR 3 months + 5.85%, with a minimum of 6%
P. Pref. Series D El Monte P. Pref. S.A. ...	ES0128469022	02/10/2009	250,000	EUR 3 months + 6.10%,

				with a minimum of 7%
1st Issue Participating Preference Shares Caja Navarra	ES0114965009	16/12/2009	100,000	8% until 24/12/2014. After said date, EUR 3 months + 5.00%, with a minimum of 6.50%
1st Issue Participating Preference Shares Banca Cívica	ES0848873008	18/02/2011	200,000	8.65% until 18/2/2015. After said date, EUR 3 months + 6.74%

The Participating Preference Shares will be bought back at 100% of their face value.

Acceptance of the buyback offer will be subject to the simultaneous irrevocable application for the subscription of Bonds, with the consequent obligation to reinvesting all the price paid in cash in the Bonds provided in this report.

Similarly, in order to attend the applications for the acceptance of the buyback offer, the Company must issue the Bonds with the exclusion of the pre-emptive right of Banca Cívica's shareholders.

3. *Justification of the proposal*

For the development of its business, the Company must maintain appropriate equity levels in comparison with its activity volume and market situation. It is considered necessary that the Company must have a level of equity comparable with that of its main competitors as a measure for the entity's solvency considered as very important by analysts, rating agencies, supervisors and all the market in general.

Accordingly, Royal Decree-Law 2/2012, dated 3 February, on the restructuring of the financial sector has recently come into effect and has led to an increase in the demand for the hedging of certain assets linked to the real estate sector, together with the establishment of a requirement for additional capital related to the exposure to real estate risk, which must be fulfilled before 31 December 2012, which reinforces the need for optimising the Company's equity structure.

From Banca Cívica's point of view, the application of this regulation has determined capitalisation requirements estimated by the Company at approximately €572 million and the aim is for said requirements to be met through the issue referred to in this agreement.

From a regulatory point of view, on a Community and international scale, there are new agreements and rules in progress that further strengthen the solvency requirements applicable to banks and restrict the type of instruments accordingly. More specifically, the new legislation adopted by the Basel Committee on Banking Supervision in the area of solvency requirements applicable to banks, commonly known as Basel III, has increased maximum-category capital requirements (including common equity and tier 1) and has excluded from both concepts certain instruments which, with the legislation still in effect, were included for said intents and purposes. In particular and albeit grandfathering, the participating preference shares of Banca Cívica that are in circulation will not be considered as common equity and will not be included in the tier 1 ratio according to new legislation.

As indicated, taking into account that (i) the issues of participating preference shares do not count as core capital and that they are also expected to lose their status as tier 1 equity on a gradual basis as from January 2013, according to Basel III; and (ii) the participating preference shares placed on the retail market are being affected by new regulations and market circumstances, the maintenance of securities with the characteristics of participating preference shares (which are perpetual and can only be amortised under certain terms and conditions and as authorised by the Bank of Spain, with a non-discretionary remuneration linked to the existence of distributable profits and that they will gradually be excluded from basic equity), with the consequent financial cost for Banca Cívica, is not efficient for the optimisation of Banca Cívica's capital structure.

Furthermore, new regulations on equity mean that instruments that are convertible into shares become a very important part of a bank's financial structure. The status of necessarily convertible bonds as core capital, subject to specific terms and conditions, means that this hybrid instrument becomes key to carrying out quick recapitalisation processes or implementing strategies to strengthen equity.

This issue of Bonds for the buyback of participating preference shares issued by the Company has been designed to optimise its equity structure in a context of an increase in the capitalisation requirements of banks by the market and national and international authorities and regulators.

4. *Features of the issue*

The Board of Directors considers that the conversion and/or swap bases and modalities submitted for approval by the General Shareholders Meeting are justified and reasonable from the point of view of social interest.

Issuer

Banca Cívica, S.A., holder of tax number A-85973857 and filed with the Special Registry of Banks and Bankers of the Bank of Spain under code number 0490.

The Company holds its registered office in Seville at Plaza de San Francisco, 1 and has a share capital of €497,142,800, divided into 497,142,800 shares. Its corporate purpose is as follows:

> *"1. The Company's corporate purpose comprises the following:*
>
> > *a) all kinds of activities, operations and services inherent to the banking business in general and allowed by current legislation, including the provision of investment services and auxiliary services; and*
> >
> > *b) the acquisition, holding, use and transfer of all kinds of chattel securities.*
>
> *2. Furthermore, as the parent of the Group, the Company will hold the functions that correspond to its status in accordance with legislation that is current and applicable at any given time.*
>
> *3. The activities that make up the corporate purpose may be carried out partially or in full and indirectly in any of the ways allowed in Law and, in particular, through the*

ownership of shares or holdings in companies whose corporate purposes are identical or similar, accessory or complementary to said activities."

Issue amount

The nominal cash amount of the Bond issue is equal to €904,031,000 through the issue of 9,040,310 Bonds, recorded as book entries. The issue is carried out over 3 series, each of which will have its own ISIN code. The series may not replace each other, but the Bonds in each series will be replaceable.

- Series I has a maximum nominal cash amount of €287,000,000 through the issue of 2,870,000 Bonds whose subscription is expected to be incomplete.

- Series II has a maximum nominal cash amount of €317,031,000 through the issue of 3,170,310 Bonds whose subscription is expected to be incomplete.

- Series III has a maximum nominal cash amount of €300,000,000 through the issue of 3,000,000 Bonds whose subscription is expected to be incomplete.

Issue type and nominal value

The issue type is Bonds at par, i.e. 100% of the nominal value.

The nominal value of the Bonds will be €100 per Bond, which is consequently higher than the nominal value of the Company's shares.

Interest rate. Remuneration.

The annual nominal rate of interest on the nominal value of the Bonds will be the following for each series:

- Series I will have a remuneration of an annual nominal rate of between 6% and 7% on the nominal value of the Bonds, where the Board of Directors has been expressly awarded with the power to specify the interest rate of the Bonds within the foregoing limits.

- Series II will have a remuneration of an annual nominal rate of between 7% and 8% on the nominal value of the Bonds, where the Board of Directors has been expressly awarded with the power to specify the interest rate of the Bonds within the foregoing limits.

- Series III will have a remuneration of an annual nominal rate of between 8.5% and 9.5% on the nominal value of the Bonds, where the Board of Directors has been expressly awarded with the power to specify the interest rate of the Bonds within the foregoing limits.

The Board of Directors is expressly awarded the power to specify the payment frequency of the coupon.

Maturity Date

The Board of Directors is expressly awarded the power to set the maturity date of the Bonds, which will not be later than 30 December 2018 (hereinafter referred to as the "**Maturity Date**").

On the Maturity Date, the Bonds that have not been converted into or swapped for shares will be converted or swapped mandatorily.

Conversion and/or swap bases and modalities

Conversion and/or Swap Price and Ratio

The conversion and/or swap ratio of the Bonds into ordinary shares in Banca Cívica will be as results from the quotient between the unit nominal value of the Bonds or, in the case of partial conversion and/or swap, the nominal amount that is being converted and/or swapped and the value awarded to the ordinary shares of Banca Cívica for the intents and purposes of the conversion and/or swap (hereinafter referred to as the "**Conversion and/or Swap Ratio**"). Therefore, the number of Shares that will correspond to each Bondholder as a result of the conversion and/or swap will be the result of multiplying the Conversion and/or Swap Ratio by the number of Bonds owned by the investor.

For the intents and purposes of the Conversion and/or Swap Ratio, the conversion and/or swap price will be the value given to Banca Cívica's shares as determined in accordance with the weighted average of the weighted average changes of Banca Cívica's share corresponding to the 15 trading days prior to a Case of Conversion and/or Swap (rounded up or down, where applicable, to 3 decimal points), with the minimum and maximum limits specified hereunder for all the series (hereinafter referred to as the "**Conversion and/or Swap Price**").

Should said Price be equal to or less than €1.2, the Conversion and/or Swap Price will be €1.2. Furthermore, should said average price be more than €20, the Conversion and/or Swap Price will be €20.

The Board of Directors is expressly awarded the power to adjust the minimum and maximum limits provided in the foregoing paragraph at the time of the issue in accordance with market circumstances.

Therefore, the maximum number of shares to be awarded in the conversion and/or swap of all the Bonds will be 753,359,166 shares and a maximum total nominal value of €753,359,166, all without prejudice to (i) the Board of Directors using the power awarded to adapt the maximum and minimum limits in accordance with market circumstances at the time of the issue; and (ii) the application of the anti-dilution clauses.

Should this transaction give rise to fractions of a share, the Company will pay said fractions in cash.

Cases of Conversion and/or Swap

The Bonds will be necessarily converted into and/or swapped for shares in the following cases (hereinafter referred to as the "**Cases of Conversion and/or Swap**"):

1. *Total Necessary Conversion and/or Swap*

In the following cases, all the Bonds in circulation at the time will necessarily be converted into and/or swap for Shares:

(i) On the Maturity Date.

(ii) If Banca Cívica adopts whatsoever corporate measure (other than merger, split and global assignment of assets and liabilities) for its voluntary or compulsory dissolution and liquidation.

(iii) If Banca Cívica adopts whatsoever measure whose consequence is the approval of a reduction of its share capital in accordance with the provisions of article 320 and following or 343 by remission to article 418.3 of the Capital Companies Act;

(iv) If Banca Cívica is declared bankrupt or if its intervention or the total and complete substitution of its bodies of administration or directors is agreed by the Bank of Spain.

(v) If the consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company, enters into breach of the minimum equity coefficient at any time in accordance with current legislation.

(vi) If, where applicable to Banca Cívica, the consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, and the determination and control of minimum equity, of which Banca Cívica is the parent company presents a core tier 1 ratio of less than 7% calculated in accordance with the definition used in the EBA stress test of 2011, Banca Cívica may adopt the conversion and/or swap of the Bonds based on an evaluation of the financial situation and the solvency of Banca Cívica, after consultation with the Bank of Spain, even though said ratio has not been breached and when said breach is considered probable in the short term.

    This case of necessary conversion and/or swap will remain valid until the EBA's recommendation (EBA/REC/2011/) is reversed or cancelled. In said case, Banca Cívica will issue a supplement to the Prospectus notifying the suitability of maintaining the application of this case of conversion and/or swap or, where applicable, issue the new terms and conditions that correspond to the application thereof.

(vii) If Banca Cívica or the consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company, submits a core capital ratio of less than 5.125%, calculated in accordance with Circular 3/2008 or whatsoever other regulation on equity applicable at any given time.

    If a minimum ratio other than the foregoing is approved (or, in accordance with the provisions of section (viii) hereunder, the concept of common equity Tier 1 ratio that is finally approved by the Community Regulation that is currently at consultation stage and scheduled to come into effect in 2013 differs from the core capital ratio), Banca Cívica will publish said circumstances by means of a relevant event sent to the National Securities Market Commission and, where applicable, by virtue of a supplement to the Prospectus, reporting on the new ratio that will give rise, where applicable, to the case of total necessary conversion and/or swap of the Bonds.

(viii) If, with a Tier 1 capital ratio of less than 6%, calculated in accordance with Circular 3/2008, or any other Spanish regulation on equity applicable at any given time, Banca Cívica or its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, or consolidated subgroup present significant book losses. It will be understood that there are "significant book losses" when the accumulated losses over the last four closed quarters have reduced the prior reserves and capital of Banca Cívica or its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company, or consolidated subgroup by one third.

(ix) If, at any given time, the Bond issue is no longer counted as basic equity and/or core capital and/or, after the coming-into-effect of the aforementioned Community Regulation and subject to the following paragraph, as additional Tier 1.

In the case where, after the coming-into-effect of the aforementioned Community Regulation, the Bonds are no longer counted as additional Tier 1, Banca Cívica reserves the right to convert and/or swap the securities into shares or, alternatively and as long as it is not in detriment to the holders of the securities, to amend the terms and conditions of the issue to adapt it to the new requirements.

(x) If there is an emergency situation in Banca Cívica or the consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company, as considered in banking regulations.

(xi) If, in accordance with current banking regulations, there is a restructuring of the bank or its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company.

(xii) If the Bank of Spain or the competent authority determines at any time that: (i) the conversion of the Bonds is necessary to improve the financial situation and solvency of Banca Cívica or that of its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 28 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company; and/or (ii) the conversion of the Bonds is necessary to avoid a situation of unviability, insolvency, bankruptcy or the incapacity of dealing with significant debt levels of Banca Cívica or that of its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 22 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company; and/or (iii) Banca Cívica requires an injection of public capital or other means of public support to avoid a situation of unviability, insolvency, bankruptcy or the incapacity of dealing with significant debt levels of Banca Cívica or that of its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 22 May, as sent to banks, on the determination and control of minimum equity, of which Banca Cívica is the parent company; or (iv) other similar circumstances.

Each of the aforementioned cases will be referred to as a "**Case of Total Necessary Conversion**”.

In the Case of Conversion and/or Swap provided in paragraph (i) above, the Bondholders will have the right to receive the Remuneration accrued and not paid on the Maturity Date, as long as they comply with the limitations for the payment of Remuneration. In the other cases, the Bondholders will not have the right to receive Remuneration on the conversion date and will receive only shares.

2. Total or Partial Necessary Conversion and/or Swap at the option of Banca Cívica

On whatsoever Payment Date, Banca Cívica, at its sole discretion, may decide to necessarily convert and/or swap all or part of the Bonds, where the conversion and/or swap will be mandatory for all the Bondholders (hereinafter referred to as the "**Case of Conversion and/or Swap at the Option of Banca Cívica**").

If the conversion and/or swap is partial, it will be made by reducing the nominal value of all the Bonds in circulation by the percentage set by Banca Cívica for the partial conversion and/or swap.

In the Case of Conversion and/or Swap at the Option of Banca Cívica, the Bondholders will have the right to receive the Remuneration accrued and not paid on the Payment Date on which the Bonds are converted, including that which corresponds to the part of the nominal value of the Bonds that are not converted, as long as they comply with the limitations for the payment of Remuneration.

3. Adaptation of the Cases of Conversion and/or Swap

The Board of Directors is expressly authorised to determine new cases of voluntary and necessary conversion and/or swap in the issue agreement and to amend those provided above as it considers appropriate.

In particular, the Board of Directors may adapt the foregoing cases or bring in new cases of voluntary or necessary conversion in response to the indications that may be made by the supervision authorities, especially the National Securities Market Commission and the Bank of Spain.

Furthermore, if, as the result of the approval of a new financial regulation, by whatsoever other amendment to legislation or changes to the interpretation thereof, it is necessary to adapt any of the Cases of Conversion and/or Swap, the Board of Directors will have the power to adapt the Cases of Conversion and/or Swap.

Conversion and/or Swap Procedure

The Bonds will be converted into new-issue shares or circulating shares or a combination of both as decided by Banca Cívica.

The Board of Directors is awarded express powers of substitution to determine at any given time whether the applications for conversion are attended with new-issue shares or circulating shares or a combination of both, and so that, if the applications for conversion are attended partially or in full with new-issue shares, it may execute the capital increase agreements to the issue of the shares that are necessary for the conversion of the corresponding Bonds, carry out all the procedures that are necessary with Iberclear in order to register the shares that are issued and apply for the trading thereof on the Stock Exchanges of Madrid, Barcelona, Bilbao and Valencia via the Continuous Market and submit the required documents.

With regard to the Case of Conversion and/or Swap at the Option of Banca Cívica, when said case is partial, Banca Cívica will sign and submit for registration with the Companies Registry certificate of partial cancellation of the issue through the reduction of the nominal value of each Bond series.

Anti-dilution clause

In relation to the provisions of article 418.2 of the Capital Companies Act, anti-dilution mechanisms will be put in place on the Conversion and/Swap Price in accordance with usual practice in this type of transaction.

In whatsoever case, said anti-dilution mechanisms must take into consideration the conversion and/or swap bases and modalities provided above.

Furthermore, section 6 "*Merger Transaction with CaixaBank, S.A.*" provides the effects of a possible merger transaction with CaixaBank, S.A. in accordance with the conversion and/or swap bases and modalities.

Increase of capital

In accordance with the provisions of article 414 of the Capital Companies Act and in order to attend all the applications for conversion through the issue of new shares, an increase in share capital is submitted for approval by the General Shareholders Meeting for the maximum amount required to attend the conversion of the Bonds that are issued.

The Board of Directors will have the power to execute, partially or in full and on each occasion, the increase in capital that is necessary to attend the application for conversion of the Bonds through the issue of new ordinary shares of the same nominal value and the same rights as the shares in circulation on the date or dates of execution of the corresponding agreement for the increase.

In accordance with the provisions of article 304 of the Capital Companies Act, the pre-emptive right in the increase or increases of capital resulting from the conversion of the Bonds will be excluded.

Covers

The Bonds will have the Company's unlimited personal liability guarantee in all cases.

Award of Powers

The Board of Directors will also submit to the General Shareholders Meeting the approval of the award of Powers that are necessary in respect of this agreement and awarded to the Board of Directors, together with the power of substitution of Powers awarded to the Executive Committee, the Chairman, the Managing Director or one or more directors, the Secretary and the Vice-Secretary, as well as any of the General Directors, including Roberto Rey Perales holder of national identity document number 13141338-N, David Cova Alonso holder of national identity document number 42066973-L, Juan Odériz San Martín holder of national identity document number 18202993-B and Mª Patrocinio Álvarez Padilla holder of national identity document number 33968662-P, all of Spanish nationality and of abode for these intents and purposes at Paseo de Recoletos No. 37, (28004) Madrid.

Audit report

This report is complemented by the report that is to be issued by BDO Auditores S.L., as the independent expert appointed by the Companies Registry, in accordance with the provisions of the Capital Companies Act.

5. *Exclusion of the pre-emptive right of subscription*

The issue of the Bonds proposed to the General Shareholders Meeting provides for the exclusion of the pre-emptive right of the Company's shareholders. Said exclusion is necessary for the Bonds to be offered to the holders of participating preference shares who accept the buyback offer made by the Company.

Consequently and in accordance with applicable legislation on the exclusion of the pre-emptive right of subscription, the Board of Directors proceeds to draw up a report to explain the proposal.

The Company's Board of Directors considers that the exclusion of the shareholders' pre-emptive right complies in full with the substantive requirements made by law and, in particular, those related to social interest. This is so because (i) it enables an operation that is highly convenient from the point of view of social interest; (ii) said operation is not only ideal, but also necessary to achieve the goal that is being sought; and (iii) there is an adequate ratio of proportionality between the aim that is being sought and the means chosen, as indicated hereinunder.

Optimisation of the equity structure

As already mentioned, the issue of necessarily convertible and/or swappable Bonds to be subscribed by the holders of the participating preference shares to whom the buyback offer is made seeks to optimise the Company's equity structure, placing Banca Cívica in a better condition for dealing with the current situation of financial instability and complying with regulatory demands. In particular, this issue makes it possible to absorb the impact of Royal Decree-Law 2/2012.

As already mentioned, the participating preference shares for which the buyback offer is being made (i) do not count as core capital or as part of the equity included as the minimum capital required by the EBA, and it is expected that they will lose their status as tier 1 equity gradually as from January 2013, in accordance with Basel III; and (ii) they are being affected by new regulatory and market situations. Therefore, the buyback offer, which includes the irrevocable subscription of the Bonds by the current holders of the participating preference shares, will improve Banca Cívica's capital structure.

The following are the main solvency figures for the Banca Cívica group at 31 December 2011 and those that would result after the buyback offer (subject to the Bank of Spain considering them as core capital and in accordance with the criteria used on the financial markets to calculate the core capital):

	31/12/2011	***50% Acceptance***	***100% Acceptance***
Banca Cívica Group		**%**	
Core capital	9.01	10.06	11.00
Tier I	11	11.00	11.00
Tier II	1.88	1.88	1.88
Core Capital Royal Decree 2/2011	8.76	9.80	10.85

Amount of the transaction. Cost saving

The nominal outstanding balance of the participating preference shares to whose holders the buyback offer is made totals approximately 905 million. A transaction of such size in the current economic context, with credit restrictions and a high aversion to risk on the part of investors would not be readily successful and would require in all cases a laborious placement process, with the corresponding associated expenses (fees of the placement syndicate and insurer), which could be very significant.

Accordingly, insofar as the buyback offer is exclusively for holders of participating preference shares placed via the Banca Cívica network and as most of them are deposited with Banca Cívica, there is no need for a placement process for the Bonds involving an insurance and placement syndicate, which would give rise to the corresponding placement and insurance fees and could increase the cost of the transaction.

In view of this situation, the buyback offer and the correlative issue of the Bonds provided in this report have the significant advantage of not requiring the payment of any contribution of funds by the parties for whom it has been designed, since the Bonds would be subscribed through the simultaneous application of the part of the price obtained in cash from the buyback of the participating preference shares.

Suitability of the proposed transaction

The Board of Directors considers that the economic terms and conditions of the buyback offer are satisfactory for the Company's social interest and estimates that said terms and conditions cannot be achieved any other way at the present time.

The structure of the buyback offer that is proposed and the parties for whom it is proposed minimise the importance of market circumstances, since they do not seek to attract new financial resources, but rather the buyback offer is for holders of certain securities previously issued by the Banca Cívica group, with an offer of products, i.e. the Bonds, which the Board of Directors considers significantly attractive for those receiving the buyback offer. Accordingly, the Bonds and shares of Banca Cívica that are given as part of the conversion will have higher liquidity than the participating preference shares.

Furthermore, the holders of the participating preference shares who accept the buyback offer will continue to receive, until the conversion and/or swap of their security, a coupon or interest rate and a right to a conversion and/or swap at the market price of Banca Cívica's shares with a maximum and minimum.

Investment alternative for the holders of participating preference shares

It has also been considered appropriate to offer the holders of participating preference shares, mainly Banca Cívica customers, the possibility of liquidating their position in the participating preference shares by selling them in the buyback offer and using the cash received to subscribe to the Bonds. This is expected to have a positive effect on the valuation of Banca Cívica's commercial policy and be viewed positively by its customers.

Proportionality between the objective sought and the means chosen

The Board of Directors considers that the exclusion of the pre-emptive right of subscription more than complies with the due proportionality that must exist between the benefits obtained for the Company and the inconveniences that may be caused to shareholders whose expectations are affected negatively by the political reduction necessarily involved in any issue of securities convertible into and/or swappable for shares without a pre-emptive right of subscription.

This is justified by the benefits for the Company and those referred to in this report.

Furthermore, the Company's shareholders will not see their status reduced economically, since the economic terms and conditions of the issue have been set under market conditions and, therefore, the theoretical value of the pre-emptive right should tend to be zero (all without prejudice to the share list price at the time of the conversion and/or swap), bearing in mind the amount at which the conversion and/or swap price ceiling has been set.

Furthermore, as for affecting political rights, the issue is considered adequate, as shown by the fact that the Company's controlling shareholders, who are represented on the Board of Directors that has adopted the exclusion of the pre-emptive right of subscription in relation to the issue due to the fact that they consider it in the company's interest, despite the sacrifice that may involve any possible reduction of their political rights.

Accordingly, the Company's Board of Directors considers that the exclusion of the pre-emptive right of subscription proposed to the General Shareholders Meeting is fully justified for reasons of social interest.

6. Merger transaction with CaixaBank, S.A.

On 26 March 2012, it was publicly announced by notification of a relevant event that the Boards of Directors of the Company and CaixaBank, S.A. had signed an agreement to start an integration process through merger by takeover of the Company by CaixaBank, S.A. (hereinafter referred to as the "**Merger**"). The aforementioned agreement was also signed by the savings banks that are the controlling shareholders of both banks, i.e. Caja de Ahorros y Pensiones de Barcelona (”la Caixa”) in respect of CaixaBank, S.A. and 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) in respect of the Company. On today's date, the Boards of Directors of CaixaBank, S.A. and the Company have drawn up and signed the corresponding merger project.

The execution of the Merger is subject to approval by the General Assemblies of the respective savings banks, the General Shareholders Meetings of the Company and CaixaBank, S.A. and the corresponding administrative authorities.

The Company intends to make the offer to buy back the participating preference shares and the consequent issue of the Bonds provided in this agreement before the execution of the Merger, where applicable. Therefore, if the Merger is executed, the Bonds will be converted into and/or swapped for shares in CaixaBank, S.A. as the bank taking over the Company, which it will succeed in its universal rights and obligations.

The Merger will not alter the terms and conditions of the Bonds (coupons, conversion and/or swap price, etc.), except for the minimum and maximum conversion and/or swap prices, which will be adapted, where applicable, when the merger is registered (and will be set at said time), in accordance with the Merger swap equation finally agreed by the General Shareholders Meetings of the Company and CaixaBank, S.A.

Furthermore, the terms and conditions that refer to specific parameters or ratios of the Company, will be understood as necessarily referring to CaixaBank, S.A. and/or its consolidated group of banks, understood in accordance with the provisions of Bank of Spain Circular 3/2008 of 22 May, as sent to banks, on the determination and control of minimum equity, of which Caja de Ahorros y Pensiones de Barcelona (”la Caixa”) is the parent company.

The Company's Board of Directors is expressly awarded power to make all the references that are necessary in the final terms and conditions of the Bond issue to appropriately show the amendments that would be made to the terms and conditions of the Bonds if the Merger is executed.

This report has been drawn up and approved by the Board of Directors in its meeting of 18 April 2012.