



**ACTIVITY REPORT OF THE AUDIT AND CONTROL  
COMMITTEE OF CAIXABANK, S.A. FOR THE YEAR  
2015**

25 February 2016

This Activity Report has been approved by the Audit and Control Committee of CaixaBank, S.A. (henceforth the "**Committee**") on 25 February 2016, in accordance with the Company By-laws and the Rules of the Board of Directors. The contents will be duly reported to the CaixaBank, S.A. Board of Directors (henceforth "**CaixaBank**" or the "**Company**") and will be the basis for the evaluation to be made by the Board of the function of its committee.

This Report will be available on the corporate website of CaixaBank ([www.caixabank.com](http://www.caixabank.com)) together with the remaining documentation that the Company makes available to the shareholders in relation to the celebration of the Annual General Meeting for the period 2016.

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During the year 2015 the Committee has further developed and consolidated the fulfilment of its functions, acting at all times within the framework of its authority, adopting as many resolutions and issuing as many reports as corresponded to it in conformance with the valid regulations or were expressly requested from it.

## 1. REGULATIONS

The Committee was created in September 2007 with the faculties and operations indicated in Article 40 of the CaixaBank By-laws and Article 13 of the Regulations of the Board of Directors.

Up to now, CaixaBank has not considered it necessary for the Committee to avail of its own regulations to regulate its organisation and operation, at it is considered that the standards included in the Regulations of the Board of Directors regulate all of the characteristics of the Committee with sufficient detail.

## 2. COMPOSITION

As of 31 December 2015, the Commission had the following members:

- Mr. Alain Minc, Chairman
- Mr. Salvador Gabarró Serra, Commission member
- Mr. Xavier Vives Torrents, Commission member
- Secretary and Deputy Secretaries: those corresponding to the CaixaBank Board of Directors

The committee is formed exclusively by non-executive directors. Two of the members have the consideration of independent directors: Mr. Alain Minc and Mr.

Xavier Vives. The members of the Committee have been selected taking into consideration their knowledge and experience in relation to the economy, accounting and/or auditing.

The members of the Committee have not varied during 2015. However the distribution of positions has changed. On 11 May 2015, Mr. Xavier Vives presented his resignation from the role of Committee Chairman, having elapsed the maximum period established in the articles 529 quaterdecies of the Spanish Companies Act and 40 of CaixaBank By-laws for holding this role. In the first session of the Committee, held after that date, it was agreed to appoint Mr. Alain Minc as Chairman, upon a favourable report from the Appointments Committee.

### 3. ATTENDANCE OF MEETINGS

According to its regulations, meetings of the Committee are held as many times as summoned by the Chairman, as requested by the Chairman of the Board or by two members of the Committee. The Committee shall meet at least four times per year in order to review regulated financial information that has to be provided to the stock market authorities, as well as the information submitted for the approval of the Board of Directors for subsequent inclusion in the yearly public report documentation.

In 2015, the Committee held twelve sessions. Attendance of the members, either present or represented, at the Committee meetings during 2015 was as follows:

	<b>No. of meetings</b>
Mr. Salvador Gabarró Serra	12/12
Mr. Alain Minc	12/12
Mr. Xavier Vives Torrents	12/12

The Committee maintains constant and ongoing contact with CaixaBank's Management Team. The Assistant Managing Director of Internal Auditing attends all the meetings. Also the Executive Area Director of Intervention, Management and Capital Control, and the managers of Internal Auditing, and Regulatory Compliance also regularly attend.

Additionally, members of the organisation with knowledge or responsibility of the points included in the agenda have been invited on several occasions for the purposes of providing explanations with regard to certain matters and thus facilitating the Commission's work with regard to the exercising of its functions. The attendees included, among others, the General Secretary and various members of the areas of Legal Advice, Internal Control, Human Resources, Finances, Accounting, Planning and Capital and Risks, as well as executives from investee companies.

Also, the person responsible for treasury stock management was also present in a recurring manner at all of the Committee sessions. The "Internal Code of Conduct for Treasury Operations at CaixaBank" establishes the obligation to provide monthly reports to the Committee about the treasury management, so that the Committee can monitor compliance with the Treasury Policy established by the Board and, where applicable, with the action criteria.

Furthermore, various sessions were attended by representatives from the legal firms, financial advisers and external consultants, whose presence has been required by the Committee in order to gather from them the advice necessary for relevant issues.

In the area of supervision carried out by the European Central Bank, members of the supervision team attended the session held in the past month of June with the objective of learning how the Committee works in practice.

On his part, the Committee President has maintained the meetings with Company executives he has considered necessary related to punctual matters that, later are reported to the Committee.

#### **4. FULFILMENT OF DUTIES**

##### **External Auditor**

The relationship with Deloitte, S.L. (hereinafter, "**Deloitte**"), external auditor of CaixaBank, has been constant and fluid during the period of 2015. The managers of the external audit team have attended 9 of the 12 sessions held, and have maintained one-off meetings with the Committee Chairman when this has been considered necessary. At least once a year the Committee members meet with the external auditors without the presence of Company Management members, in order to know the perception of the auditors regarding the way of working of and with the different interlocutors in CaixaBank and also their perception of Company progress.

Deloitte has presented its Audit Plan 2015 and has periodically informed its level of execution, which has permitted the Committee to learn of the evolution of its work first-hand. In the sessions prior to the formulation of the mandatory financial information, Deloitte informed the Committee of its preliminary conclusions, together with all of the significant aspects which the Audit and Control Committee must be informed of, in accordance with the regulatory standards of the account audit activity. In the session dated 25 February 2016, they presented their definitive conclusions on the individual and consolidated financial statements of the period 2015, indicating that their intention is to issue a report without exception.

They also presented the Committee with the conclusions for the additional reports that were elaborated during the period 2015, whether due to regulatory requirements or in response to specific requests from CaixaBank.

Deloitte provided the Committee with a declaration of its independence in relation to the Company and its related entities, as well as the information related to the additional services provided and the corresponding fees received during the period 2014.

For its part, the Committee issued, before the issuing of the account audit report for the period 2014, a report in which it expressed its favourable opinion on the independence of the external audit including, among other aspects, the evaluation of the provision of additional services other than legal audits.

As a result of the above, the Committee submitted the proposal to the Board of Directors that the re-appointment of Deloitte be presented at the Annual General Meeting, to continue as the external auditor to audit the Company and its consolidated Group in the period 2016.

### **Internal Audit**

The Committee has learned of the Strategic Lines that will guide the actions of the Internal Audit in the period 2015-2018. Strategic Lines that, aligned with the Strategic Plan 2015-2018 for CaixaBank and under the slogan "We audit to contribute value and generate trust", includes the principles that will guide the actions of the role of Internal Audit during this period, with the objective of consolidating them as an essential piece of Company operation and one of the fundamental bases for good governance, acting as a third line of defence.

With regards to the period 2015, the manager of the function of Internal Audit presented, in the month of January, the "2015 Annual Plan for Work, Resources and Budget of the Function of Internal Audit" (which included the level of compliance with 2014 Plan) and has made regular reports of the audits carried out, the plans of action defined and the level of implementation of the recommendations made, with the objective of permitting the Committee to perform its functions of monitoring and control.

To this initial annual planning, over the year new tasks have been added, derived from the Company Map of Risks, requirements of a sectoral or individual character from the regulators and/or supervisors, and requests from Management.

In the first session of the period 2016, the Committee became aware of the planning of Internal Audit for the period 2016 and the level of compliance with the Annual Plan 2015.

In addition, the Committee has been informed of the audit planning for 2015 of the insurance company of the group, VidaCaixa, S.A., of Insurance and Reinsurance, Single-Member Company, as well as the management that this company undertakes with its risks and the level of progress for adapting to Solvency II. The Committee has also been presented with works of internal audit performed in different companies of CaixaBank Group.

Furthermore, on 12 March 2015, the Committee received the Declaration of Independence of the Internal Audit Foundation of CaixaBank, elaborated in compliance with the Internal Audit Statute of the Company. This indicates that the Management and personnel of the Audit department have not been responsible for the activities that are susceptible to audit, that they have had full, free and unlimited access to all information necessary for the performance of their functions and that they are free from conditions for the scope and execution of the work and for the communication of the results.

Finally, it should be highlighted that, after the work developed in the last quarter of 2014, The Institute of Internal Auditors issued, in January 2015, a Certificate of Quality Assessment in Internal Audit for CaixaBank, granting the highest rating possible in all areas of the revision.

#### **Process of elaboration and presentation of the financial information**

The Committee has paid special attention to control over the process of preparation and presentation of regulated financial information and the other information related to the period 2015 made available to the market. The person responsible for the financial information has attended nine of the twelve sessions held by the Committee during 2015, which has permitted the Committee to learn the process of elaboration of the intermediate financial information with sufficient prior notice, as well as the individual and consolidated annual accounts. The Committee has learned of and approved the principles, assessment criteria and accounting practices applied by CaixaBank and has verified, with the help of the external audit, its conformity with accounting regulations and criteria established by the competent regulators and supervisors. All of this is to guarantee the integrity of the accounting and finance information systems, including the financial and operational control.

In the sessions of 21 May, 30 July and 22 October 2015 and 25 February 2016, the Committee provided favourable reports of the financial statements of 31 March, 30 June, 30 September and 31 December 2015 respectively, prior to the approval by the Board of Directors.

In addition, the Committee has carried out continuous monitoring of the evolution of the principal figures of the profit and loss account and the balance, as well as the details of the Group's situation of liquidity and solvency. In particular, the

Reports corresponding to the period 2014 on self-assessment of the Capital and Adequacy of the Liquidity of Grupo CaixaBank were presented, together with the Report with Prudential Relevance, in the Committee session in the month of April.

Finally, it is worth mentioning that during the period 2015, the Committee was informed of the new supervision focus derived from the creation in 2014 of the Unique Supervision Mechanism, as well as of the annual conclusions of the Supervisory Review and Evaluation Process (SREP) that the European Central Bank is carrying out on the main financial entities under its supervision.

### **Regulatory Compliance**

The Committee performs continuous supervision work in all areas that are related to the regulatory compliance of the Company. To this end, it has closely followed the requirements submitted by the various regulators and supervisors and the status of the risks of regulatory compliance that affect or could affect CaixaBank.

In the same way, it has analysed the reports, both internal and external, that have been presented to the Committee from this area. Among the internal reports, it reviews the quarterly reports on the application of the Internal Code of Conduct on the Stock Market, the Operations of Special Analysis in relation to the Prevention of Money Laundering and Financing of Terrorism, the Compliance with the Policy and the Internal Code of Conduct for the Process of Contribution to the EURIBOR/EONIA and the annual report of Regulatory Compliance in the area of the Stock Market. Among the external reports, the annual report on the System for Prevention of Money Laundering and Financing of Terrorism should be highlighted.

The Committee pays special attention to the topics related to the prevention of money laundering and financing of terrorism. During the period, it has carried out a detailed monitoring of the level of progress of the " Group's Plan for Transformation of the System for Prevention of Money Laundering and Financing of Terrorism" and the Plan for Client Identification, launched in order to comply with the obligations established by Law 10/2010, 28 April, of *Prevention of Money Laundering and Financing of Terrorism* and its development Regulation, approved by Royal Decree 304/2014, 5 May. Furthermore, it periodically receives information, among other material, about the conclusions reached in the meetings of the Delegate Committee of Prevention of Money Laundering, which is formed by the affected areas of CaixaBank and the managers of prevention in the subsidiaries companies, the statistics of the Operative Unit of Prevention of Money Laundering in relation with the analysis and communication of operations suspected to be money laundering and about the meetings held with SEPBLAC.

A relevant milestone from this period has been the approval by the Board of Directors, upon a favourable report from this Committee, of the "Policy of the Function of Regulatory Compliance and Statute of Regulatory Compliance of

CaixaBank Group". One of its principal objectives is the establishment of the general guidelines that will guarantee adequate management of the "compliance risk" at CaixaBank Group, with a focus of this Function being based on the risk and the assignment of resources in an efficient manner.

Lastly, another of the roles of the Committee is the control over functionality of corporate mechanisms that provide the employees with a confidential channel for reporting potentially significant irregularities, including financial and accounting issues (Report Channel). Periodically, the Committee receives information about the operation of this Channel and the reports, if there are any, on non-compliance with the Code of Ethics and the Anti-Corruption Policy, with the Digital Code, with the Internal code of conduct for the Euribor or in relation to irregularities of a financial or accounting nature.

### **Internal control**

The Committee supervises the efficiency of the Company's system of internal control and of risk management, including tax risks.

Specifically, it has supervised the operation of the controls carried out internally in order to provide reasonable security for the reliability of the financial information that the Company provides to the market. The conclusions have been that the Company avails of the adequate procedures and controls necessary to configure a robust system that has worked efficiently during the period 2015. The System for Internal Control of the Financial Information of CaixaBank is reviewed both by the internal auditor and the external auditor.

In addition, the Internal Control area regularly reports to this Committee. The mission of this area is to reasonably ensure the Company Management and the Governing Bodies that the controls for management of the risks of the Group are adequately designed and implemented.

During the year 2015, the Internal Control manager presented the Committee with the evaluation of the principal risks that affect the Group, together with the evolution of the Corporate Map of Risks, the implementation of which was completed during this year. The Corporate Map of Risks is the management tool of the control area in CaixaBank, which systematically gathers the risks that affect the activities developed by the Group and evaluates how critical they are.

Another point which has been reported to the Committee is the decision to implement a risk governance framework for CaixaBank, based on the Three Lines of Defence Model, as stated in the "Principles of Corporate Governance for Banks" published by the Basel Committee on 8 July 2015. This is a governance framework with well defined organisational responsibilities in order to manage the risk, with full operation being anticipated during the period of 2016.

In this sense, significant progress has already been made during the year 2015. With the objective of strengthening the second line of defence, in the month of December the area of Internal Control was segregated from the then Deputy General Directorate of Internal Control and Auditing, with this function being integrated together with that of Regulatory Compliance, in a newly created Sub-Directorate General responsible for "Control & Compliance", reporting to the Managing Director (CEO).

Finally, during this period there has been a step forward in the formalisation of the Company's fiscal good governance, extending it to the company group, in order to comply with the stipulations of the Spanish Corporations Act, of which article 529 third establishes among the new non-delegable duties of the Board of Directors of listed companies that of defining the fiscal strategy. The Committee has analysed, prior to its approval by the Board of Directors, the strategic taxation principles that determine the tax position of the Company and that are linked to the corporate values of the Code of Ethics of CaixaBank and with the praxis derived from the Code of Good Tax Practices by the Large Business Forum in which the Company participates.

#### **Related party transactions**

Another of the functions of the Committee is to supervise compliance with the regulations concerning transactions with related parties, and to inform the Board of Directors of such transactions prior to their realisation.

In this regard, we should highlight the swap contract signed on 3 December 2015 between CaixaBank and its control shareholder Criteria Caixa, S.A.U. (hereinafter, "**Criteria**"), in virtue of which CaixaBank will transmit to Criteria all of its shares in Grupo Financiero Inbursa, S.A.B. de C.V. and The Bank of East Asia, Limited, and at the same time, Criteria will transfer to CaixaBank shares in CaixaBank and an amount in cash. Given the nature of the operation linked to this contract, the provisions established in the Protocol have been followed, as well as other practices of good corporate governance for this type of operation. In this respect, the Board of Directors named an ad hoc committee of independent advisers to evaluate the suitability of the operation. For this purpose, two investment banks were selected to issue fairness opinions, and one legal adviser. The ad hoc committee elaborated a report analysing the operation in its entirety and sent it to the Audit and Control Committee. Based on this report, this Committee sent its favourable opinion of the operation to the Board of Directors.

Also, during the period 2015, the Committee reported on the transactions carried out with the Company by the members of the Board of Directors or persons related to them. In all cases these were ordinary operations, performed in standard conditions for all clients and not relevant.

### **Supervision of the Internal Protocol for Relations with "la Caixa"**

Since 1 July 2011, after performing certain reorganisation operations with the Group "la Caixa", and until the transformation of Caixa d'Estalvis i Pensions de Barcelona (hereinafter, "**CEPB**") into a banking foundation in June 2014, CaixaBank was the bank entity through which CEPB performed its financial activity in an indirect manner. With the aim of regulating the relationship between CEPB and CaixaBank, both institutions signed an Internal Relations Protocol on 1 July 2011 (hereinafter the "**Protocol**"), clause 9 of which stipulates that the Relations Protocol shall no longer be in force the moment CEPD ceases to indirectly exercise its financial activity through CaixaBank.

As a consequence of the entry into force of Law 26/2013, 27 December, of savings banks and banking foundations, CEPB became a banking foundation. According to the terms of the aforementioned Law 26/2013, the main activity of the Banking Foundation Caixa d'Estalvis i Pensions de Barcelona, "la Caixa" (hereinafter, "**Banking Foundation "la Caixa"**") may only consist of supporting and developing the charity foundation and the appropriate management of its holding in CaixaBank, terminating therefore CEPB's regime of indirect financial activity through CaixaBank, thereby constituting the scenario under which the Relations Protocol would no longer be in force.

However, in June 2014, before the registration of the Banking Foundation "la Caixa" in the Foundations Registry, CEPB and CaixaBank considered it necessary to modify the Protocol until the signing of a new protocol for relations between Banking Foundation "la Caixa" and CaixaBank and for this purpose, they agreed upon a modifying novation of the Protocol that established this.

Supervision of compliance with the Protocol corresponds to the Audit and Control Committee, as well as the performance of any other actions established in the Protocol for the best compliance with the mentioned supervision function. Consequently, during the period 2015 the Committee analysed various operations that required its participation. Specifically, apart from the swap contract mentioned in the "Related party transactions" section, it issued a favourable report, after verification of provision in market conditions, of the financial operations that required examination by the Committee due to being considered intra-group operations and exceeding the amount established in the Protocol.

### **Other aspects of interest**

The Committee has been informed of the most relevant regulatory novelties for areas which form part of its competence. Thus they have presented, among others, regulatory issues that have affected, from a point of view of accounting and taxation for the formulation of the annual financial statements, the changes that will be caused by the entry into force of the new Audit Law, the modifications that affect criminal responsibility of legal persons and the Model for Crime

Prevention derived from the reform of the Criminal Code and the legislative or regulatory novelties related to the activity of Regulatory Compliance.

During the first quarter of the year, the training sessions to the Committee members that started at the end of the year 2014 have ended. The training sessions were provided for KPMG experts within the CaixaBank training and refresher program for the members of its Board of Directors.

Finally, the Committee reviewed and approved the annual reports for the period 2014 related to the operation of the Committee itself and the Monitoring of Protocol Compliance.

## **5. ASSESSMENT OF THE COMMITTEE'S FUNCTIONING**

The Committee's members performed self-evaluation during the meeting held on 25 February 2016. A questionnaire was previously given to each member requesting their opinion on the composition, organisation and development of the functions entrusted to the Committee pursuant to the By-laws of CaixaBank and the Regulations of the Board of Directors.

In the light of the received responses, the Audit and Control Committee has provided a favourable evaluation of the quality and efficiency of Committee's operations during 2015. The Committee considers its quantitative and qualitative composition to be adequate, that the number of meetings has been sufficient, that it has satisfactorily complied with its responsibilities related to the supervision of the financial information, the systems for control and management of the Company and the Internal Audit, that the relationship maintained with the external auditor has been adequate, that the access and interaction of Company executives has been satisfactory and that the Chairman has led the meetings in a manner which encouraged participation and debate between the members of the Committee, transparency of information and constructive criticism of the proposals being studied.

Barcelona, 25 February 2016

The Audit and Control Committee of CaixaBank, S.A.