PRESS RELEASE

The CNMC clears, subject to conditions, the merger by absorption of BANKIA, S.A. by CAIXABANK, S.A.

- In order to address the risks observed in certain retail banking segments, as well as in the ATM market, Caixabank has offered remedies that allowed the CNMC to approve the merger.

Madrid, 23 March 2021. The CNMC has cleared the merger by absorption of BANKIA by CAIXABANK in phase I. The deal is subject to compliance with the conditions offered by CAIXABANK (**C/1144/20**), and gives rise to the merger of the third and fourth largest banks in Spain. The resulting entity will become the leader in the market for banking services, specifically in all retail banking segments.

Apart from the banking services market (retail banking market, corporate banking, investment banking and factoring market), the merger also affects the card issuance, POS and ATM markets, as well as the production and distribution of insurance and the management of pension plans and funds, in which the parties are simultaneously present.

After analysing all these markets, the CNMC has concluded that the merger will not pose a threat to effective competition in the markets for corporate banking, investment banking, factoring, cards, POS, insurance production and distribution, and fund and pension plan management. This is because in these markets, either the resulting shares are not a concern or BANKIA's contribution is low, meaning there is no relevant change compared to the pre-merger competitive structure of the market, and there is sufficient competitive pressure in all of them.

However, the analysis conducted did conclude that the merger poses a threat to effective competition in certain areas of the retail banking market. Thus, for the branch market, in addition to conducting the analysis at the national and provincial levels, and in view of the high concentration indices in certain provinces that will result from the deal, a local analysis was carried out to identify all those postal codes where the parties' activities overlap. This entailed an exhaustive analysis of market shares and the number of competitors present in the most affected local areas based on 1.5-km isochrones from the branches of the resulting bank. The postal code analysis is also a suitable proxy for the markets of other products that may be provided in branches, such as loans, deposits, or ATM services.

As a result of this analysis, 86 postal codes were identified where the resulting entity will either be in a monopoly situation (the new entity will be the only bank present in

21 postal codes), or in a duopoly situation subject to weak competitive pressure (within a 1.5-kilometre radius from the branch in another 65 postal codes).

After comparing the products and conditions offered in the different market segments by both entities and their main competitors, it was concluded that the zero or reduced competitive pressure in these areas will give the resulting entity a high market power that could influence its behaviour, with possible adverse effects for consumers located in said postal codes.

Specifically, a risk of financial exclusion was identified in places where only the parties are present, due to the possibility of closing the bank branches present in those areas after the merger. Likewise, in those environments where there is insufficient competitive pressure from third party operators, the business conditions for current BANKIA customers could deteriorate.

Additionally, the analysis of the ATM market revealed that, for the customers of third parties that had agreements with BANKIA (such as ING, BANCO SABADELL and banks belonging to the Euro6000 network), a possible breakdown of the agreements, as a result of the merger, would make them unable to access BANKIA's ATM network under the same conditions as before and require them to pay a higher commission. This situation would be especially noticeable in locations where BANKIA's position in the ATM market is particularly relevant.

Conditions adopted

In view of the competition problems identified, the parties proposed a series of conditions upon which the merger is contingent. In relation to the **risks of financial exclusion and the possible tightening of commissions and commercial conditions**, CAIXABANK has committed to:

- not leave, except in exceptional cases subject to prior authorisation from the CNMC, any municipality in which one (or both) of the parties is currently present and that has no competing branches, so as to **avoid financial exclusion in said municipalities**;
- in the **21 postal codes** in which CAIXABANK will be left in a monopoly situation, **maintain the same conditions and terms for BANKIA's customers** that they currently have for their products. This is guaranteed for a period of **3 years**;
- for 3 years, in the **remaining postal codes identified as problematic (65)**, offer its products under **conditions that are substantially the same as or not worse** than those offered by CAIXABANK in the three postal codes where it is subject to the greatest competitive pressure;

- **not charge for 3 years, in any of the 86 postal codes** identified as problematic, commissions to customers from BANKIA for a **teller service** when that transaction would have been free under the conditions offered by BANKIA on the merger authorisation date;
- **inform BANKIA customers** (after the CNMC approves the proposed message) both of the completion of the merger and of the potential changes in products that could affect them; in particular, prior to the implementation of the changes, it must inform them (i) of the **new fees** that apply as a result of the modification of a product or service pursuant to the merger; (ii) of those **products offered** to CAIXABANK customers for which said BANKIA customers are eligible and that are **comparable to or better than** the products they have with BANKIA; (iii) that the modifications will go into effect no earlier than 60 days in the case of individual customers (consumers and self-employed workers) and 30 days in the case of other customers; (iv) of the rights available to the customer if there is a change in conditions; and (v) of the customer's right to change banks;
- identify BANKIA customers who satisfy the eligibility requirements for **CAIXABANK's social (discounted) account**, and inform them of the possibility of benefiting from the conditions of said account. Likewise, CAIXABANK undertakes to maintain, for the duration of this condition, said social account or an equivalent product, but always under conditions equal to or more beneficial to customers than those of the current social account.

In relation to the risks stemming from a possible **breach of the existing agreements between BANKIA and ING on the one hand, and with EURO6000 and BANCO SABADELL** on the other, for the use of their ATMs, and without prejudice to the provisions of the existing agreements, CAIXABANK has committed to:

- offer the customers of said entities **access to the ATMs** that were owned by BANKIA before the merger, for a period of **18 months and under the same economic conditions** specified in the aforementioned agreements, and
- **in those cases where the BANKIA ATMs are closed** as a result of the merger, give access to the customers of said previous entities to the **CAIXABANK ATM nearest** to the closed BANKIA ATM. To this end, CAIXABANK will duly mark the affected ATMs so as to make them easily identifiable by the customers of the corresponding entities.

Finally, in relation to the common minority holdings of CAIXABANK and BANKIA, it undertakes to comply with the obligations established by the respective statutes and shareholder agreements in terms of divesting the percent ownership of capital stock that exceeds the planned limit as a result of the merger, and it agrees not to exercise under any circumstances the voting rights associated with the proportion of capital originating from BANKIA that exceeds the ownership limits until its divestment.

The CNMC has deemed these conditions adequate to address the competition problems presented by the merger, insofar as they neutralise or mitigate the risks identified, and will monitor compliance by CAIXABANK, which must report to the CNMC under the agreed terms for as long as they remain in effect.