



## **Kutxabank, S.A.**

*(incorporated as a limited liability company (sociedad anónima) under the laws of Spain)*

**EUR 500,000,000**

### **Fixed Rate Reset Senior Non Preferred Callable Green Notes due October 2027**

The issue price of the EUR 500,000,000 Fixed Rate Senior Non Preferred Green Notes due October 2027 (the "**SNP Green Notes**") of Kutxabank, S.A. (the "**Issuer**", "**Kutxabank**" or the "**Bank**") is 99.671 per cent. of their principal amount. The SNP Green Notes were issued on 14 October 2021 (the "**Issue Date**"). The Bank and its consolidated subsidiaries are referred to herein as the "**Kutxabank Group**" or the "**Group**".

As described in the terms and conditions of the SNP Green Notes (the "**Conditions**") unless previously redeemed, the SNP Green Notes will be redeemed at their principal amount on 14 October 2027. All, and not some only, of the SNP Green Notes may be redeemed at the option of the Bank on 14 October 2026 at their principal amount together with any accrued and unpaid interest thereon and in addition, the SNP Green Notes may be redeemed at the option of the Bank in whole, but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, subject in each case to the conditions set out in Condition 4.2 including, without limitation, obtaining prior Supervisory Permission. See Conditions 4.3, 4.4 and 4.5 in "*Terms and Conditions of the SNP Green Notes*".

The SNP Green Notes bear interest (i) at a fixed rate of 0.5% per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions), and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (the sum of the 1-year Mid-Swap Rate plus 0.75% per annum (the "**Margin**")), as determined by the Bank, payable annually in arrear on 14 October in each year commencing on 14 October 2022. See Condition 3 in "*Terms and Conditions of the SNP Green Notes*".

Payments on the SNP Green Notes will be made in Euros without deduction for or on account of taxes imposed or levied by Spain to the extent described under Condition 7 in "*Terms and Conditions of the SNP Green Notes*".

The payment obligations of the Bank under the SNP Green Notes on account of principal constitute unsubordinated and unsecured non preferred ordinary claims ("*créditos ordinarios no preferentes*"), as more fully described in Condition 2 in "*Terms and Conditions of the SNP Green Notes*". The SNP Green Notes are expected to be eligible for MREL (as defined in section "*Capital, liquidity and funding requirements and loss absorbing powers-Capital, liquidity and funding requirements -Overview of capital, liquidity and funding requirements*") purposes of the Group.

Subject to the prior Supervisory Permission and to compliance with the Applicable Banking Regulations, if a Tax Event or Disqualification Event has occurred and is continuing, the Bank may substitute all (but not some only) of the SNP Green Notes or vary the terms of all (but not some only) of the SNP Green Notes, without the consent of the Holders (as defined below), so that they become or remain Qualifying Notes (as defined in the Conditions).

This document (together with the information incorporated by reference) constitutes a listing prospectus (the "**Prospectus**") for the purposes of Article 3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU of 14 June 2017 (the "**Prospectus Regulation**") and has been prepared in accordance with, and including the information required by Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019.

The SNP Green Notes have been issued in denominations of €100,000. Application has been made for the SNP Green Notes to be admitted to trading on the Spanish AIAF Fixed Income Securities Market ("**AIAF**"). AIAF is a regulated market for the

purposes of Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (as amended, "**MiFID II**"). The SNP Green Notes may also be admitted to trading on any other secondary market as may be agreed by Kutxabank.

Amounts payable under the SNP Green Notes from and including the Reset Date are calculated by reference to the 1-year Mid-Swap Rate which appears on the "ICESWAP2" screen, which is provided by ICE Benchmark Administration Limited and by reference to EURIBOR 6-month (as defined in the Conditions) which appears on the "EURIBOR01" screen, which is provided by the European Money Markets Institute. As at the date of this Prospectus ICE Benchmark Administration Limited is not included in the European Securities and Markets Authority's ("**ESMA**") register of administrators and benchmarks under Article 36 of the Regulation (EU) No 2016/1011 (the "**Benchmark Regulation**"), the transitional provisions in Article 51 of the Benchmark Regulation apply such that ICE Benchmark Administration Limited is not currently required to obtain recognition, endorsement or equivalence. As at the date of this Prospectus, the European Money Markets Institute appears on the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of the Benchmark Regulation.

Title to the SNP Green Notes is evidenced by book entries, and each person shown in the central registry of the Spanish settlement system managed by *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal* ("**Iberclear**") and in the registries maintained by the participating entities (*entidades participantes*) in Iberclear ("**Iberclear Members**") as having an interest in the SNP Green Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the SNP Green Notes recorded therein (a "**Holder**").

The SNP Green Notes are rated "Baa3" by Moody's Investors Service España, S.A. ("**Moody's**"), "BBB-" by S&P Global Ratings Europe Limited ("**S&P**") and "BBB+" by Fitch Ratings Ireland Limited ("**Fitch**"). Moody's, S&P and Fitch are established in the European Union ("**EU**") and are registered under Regulation (EC) No 1060/2009 (as amended) on credit rating agencies (the "**CRA Regulation**"). Moody's, S&P and Fitch appear on the latest update of the list of registered credit rating agencies (as at 7 May 2021) on the ESMA website. The ratings Moody's, S&P and Fitch have given to the SNP Green Notes are endorsed by Moody's Investors Service Limited, S&P Global Ratings UK Limited and Fitch Ratings Limited, respectively, which are established in the UK and registered under Regulation (EU) No 1060/2009 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (the "**UK CRA Regulation**"). Moody's Investors Service Limited, S&P Global Ratings UK Limited and Fitch Ratings Limited have been certified under the UK CRA Regulation.

**A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.**

**The SNP Green Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Prospective purchasers of the SNP Green Notes should ensure that they understand the nature of the SNP Green Notes and the extent of their exposure to risks and that they consider the suitability of the SNP Green Notes as an investment in the light of their own circumstances and financial condition.**

An investment in the SNP Green Notes involves certain risks. For a discussion of these risks see "*Risk Factors*" beginning on page 11.

The SNP Green Notes have not been, and will not be, registered under the United States Securities Act of 1933 (the "**Securities Act**") and are subject to United States tax law requirements. The SNP Green Notes have been offered outside the United States by the Joint Lead Managers (as defined below) in accordance with Regulation S under the Securities Act ("**Regulation S**"), and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the SNP Green Notes has led to the conclusion that: (i) the target market for the SNP Green Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the SNP Green Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the SNP Green Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the SNP Green Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the SNP Green Notes has led to the conclusion that: (i) the target market for the SNP Green Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Regulation (EU) No 600/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 ("**UK MiFIR**"); and (ii) all channels for distribution of the SNP Green Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending

the SNP Green Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the SNP Green Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

*Joint Lead Managers*

**Barclays**  
**HSBC**

**Société Générale Corporate & Investment Banking**

**BBVA**  
**Norbolsa**

**19 October 2021**

## IMPORTANT NOTICES

The Issuer has not authorised the making or provision of any representation or information regarding the Issuer or the SNP Green Notes other than as contained in this Prospectus or as approved for such purpose by the Issuer. Any such representation or information should not be relied upon as having been authorised by the Issuer, the joint lead managers named under "*Subscription and Sale*" below (the "**Joint Lead Managers**").

None of the Joint Lead Managers, nor any of their respective affiliates, has separately verified the information contained or incorporated by reference in this Prospectus. Neither the Joint Lead Managers nor any of their respective affiliates have authorised the whole or any part of this Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained or incorporated by reference in this Prospectus or any other information supplied by Kutxabank in connection with the SNP Green Notes. Neither the delivery of this Prospectus nor the offering, sale or delivery of any SNP Green Notes shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of Kutxabank or the Kutxabank Group since the date of this Prospectus or that any other information supplied in connection with the SNP Green Notes is correct as at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. The Joint Lead Managers shall not be responsible for, or for investigating, any matter which is the subject of, any statement, representation, warranty or covenant of Kutxabank or the Kutxabank Group contained in the Prospectus, or any other agreement or document relating to the SNP Green Notes, or for the execution, legality, effectiveness, adequacy, genuineness, validity, enforceability or admissibility in evidence thereof.

Each potential purchaser of SNP Green Notes should determine for itself the relevance of the information contained or incorporated by reference in this Prospectus and its purchase of SNP Green Notes should be based upon such investigation as it deems necessary. None of the Joint Lead Managers undertakes to review the financial condition or affairs of Kutxabank or the Kutxabank Group during the life of the arrangements contemplated by this Prospectus nor to advise any investor or potential investor in the SNP Green Notes of any information coming to the attention of the Joint Lead Managers.

Kutxabank declares that the information contained in this Prospectus includes the instructions and recommendations received, when appropriate, from the prudential supervisory authorities (i.e. European Central Bank and Bank of Spain) and that may have an impact on the financial statements and risks described hereinafter.

This Prospectus does not constitute an offer of, or an invitation to subscribe for or purchase, any SNP Green Notes.

None of the Bank or the Joint Lead Managers accepts any responsibility for any environmental assessment of the Green Bond Framework (as defined below) following the ICMA Green Bond Principles or makes any representation or warranty or assurance whether the SNP Green Notes will meet any investor expectations or requirements regarding such "green" or similar labels. None of the Joint Lead Managers is responsible for the use of proceeds for the SNP Green Notes, nor the impact or monitoring of such use of proceeds. No representation or assurance is given by the Bank or the Joint Lead Managers as to the suitability or reliability of any opinion, certification or report of any third party made available in connection with the issue of the SNP Green Notes, nor is any such opinion, certification or report a recommendation by any of the Bank or the Joint Lead Manager to buy, sell or hold any SNP Green Notes. In the event any such SNP Green Notes are, or are intended to be, listed, or admitted to trading on a dedicated "green" or other equivalently-labelled segment of a stock exchange or securities market, no representation or assurance is given by the Joint Lead Managers that such listing or admission will be obtained or maintained for the lifetime of the SNP Green Notes.

In this Prospectus, unless otherwise specified, references to a "**Member State**" are references to a Member State of the European Economic Area ("**EEA**"), references to "**EUR**" or "**euro**" are to the currency introduced at the start of the third stage of European economic and monetary union, and as defined in Article 2 of Council Regulation (EC) No 974/98 of 3 May 1998 on the introduction of the euro, as amended. References to "**billions**" are to thousands of millions.

Certain figures included in this Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

Words and expressions defined in the Conditions (see "*Terms and Conditions of the SNP Green Notes*") shall have the same meanings when used elsewhere in this Prospectus unless otherwise specified.

Potential investors are advised to exercise caution in relation to any purchase of the SNP Green Notes. If a potential investor is in any doubt about any of the contents of this Prospectus, it should obtain independent professional advice. Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Prospectus or incorporated by reference herein.

The SNP Green Notes are complex financial instruments and are not a suitable or appropriate investment for all investors. Each potential investor in the SNP Green Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the SNP Green Notes, the merits and risks of investing in the SNP Green Notes and the information contained or incorporated by reference in this Prospectus, taking into account that the SNP Green Notes are a suitable investment for professional or institutional investors only;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the SNP Green Notes and the impact the SNP Green Notes will have on its overall investment portfolio;
- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the SNP Green Notes, including where the currency for payments in respect of the SNP Green Notes is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the SNP Green Notes, including the provisions relating to redemption or substitution of the SNP Green Notes and any variation of their terms, and is familiar with the behaviour of financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the SNP Green Notes unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the SNP Green Notes will perform under changing conditions, the resulting effects on the value of the SNP Green Notes and the impact this investment will have on the potential investor's overall investment portfolio.

The SNP Green Notes are rated "Baa3" by Moody's, "BBB-" by S&P and "BBB+" by Fitch. A credit rating is not a recommendation to buy, sell or hold securities and may be subject to revision, suspension or withdrawal, at any time, by the assigning rating organisation. Potential investors should not rely on any rating of the SNP Green Notes and should determine the suitability of the investment in light of its own circumstances (see "*Risk Factors – Risks relating to the SNP Green Notes – Credit ratings may not reflect all risks associated with an investment in the SNP Green Notes*" for additional information). The Bank does not participate in any decision making of the rating agencies and any revision or withdrawal of any credit rating assigned to the Bank or any securities of the Bank is a third party decision for which the Bank does not assume any responsibility.

This Prospectus includes forward-looking statements that reflect the Issuer's intentions, beliefs or current expectations and projections about its future results of operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the market in which it operates. These forward-looking statements are based on numerous assumptions regarding the Bank's present and future business and the environment in which it expects to operate in the future. The forward-looking events described in this Prospectus may not occur. These forward-looking statements speak only as at the date on which they are made. Except as otherwise required by applicable securities law and regulations and by any applicable stock exchange regulations, the Bank undertakes no obligation to update publicly or revise publicly any forward-looking statements, whether as a result of new information, future events, changed circumstances or any other reason after the date of this Prospectus. Given the uncertainty inherent in forward-looking statements, the Bank cautions prospective investors not to place undue reliance on these statements.

The distribution of this Prospectus and the offering, sale and delivery of SNP Green Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Issuer and the Joint Lead Managers to inform themselves about and to observe any such restrictions. For a description of certain

restrictions on offers, sales and deliveries of SNP Green Notes and on distribution of this Prospectus and other offering material relating to the SNP Green Notes, see "*Subscription and Sale*".

In particular, the SNP Green Notes have not been and will not be registered under the United States Securities Act of 1933 (the "**U.S. Securities Act**") and are subject to United States tax law requirements. Subject to certain exceptions, SNP Green Notes may not be offered, sold or delivered within the United States or to U.S. persons.

**PROHIBITION OF SALES TO EEA RETAIL INVESTORS** – The SNP Green Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (as amended, the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (the "**EU PRIIPs Regulation**") for offering or selling the SNP Green Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the SNP Green Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Since the SNP Green Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA, Additional Provision Four of the Spanish Securities Market Law approved by Royal Legislative Decree 4/2015 of 23 October (the "**Spanish Securities Market Law**") should not apply to the marketing or placement of the SNP Green Notes.

**PROHIBITION OF SALES TO UK RETAIL INVESTORS** – The SNP Green Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services Market Act ("**FSMA**") and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA. Consequently no key information document required by Regulation (EU) No 1286/2014 as it forms part of domestic law of the UK by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the SNP Green Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the SNP Green Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the SNP Green Notes has led to the conclusion that: (i) the target market for the SNP Green Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the SNP Green Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the SNP Green Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the SNP Green Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**UK MiFIR PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ELIGIBLE COUNTERPARTIES ONLY TARGET MARKET** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the SNP Green Notes has led to the conclusion that: (i) the target market for the SNP Green Notes is only eligible counterparties, as defined in COBS, and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the SNP Green Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the SNP Green Notes (a "**distributor**") should take into consideration the manufacturers' target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook is responsible for undertaking its own target market assessment in respect of the SNP Green Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

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## OVERVIEW

*This overview must be read as an introduction to this Prospectus and any decision to invest in the SNP Green Notes should be based on a consideration of the Prospectus as a whole, including the documents incorporated by reference. This overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Prospectus. See, in particular, "Terms and Conditions of the SNP Green Notes".*

*Words and expressions defined in the "Terms and Conditions of the SNP Green Notes" below have the same meanings in this overview.*

<b>Issuer:</b>	Kutxabank, S.A.
<b>Joint Lead Managers:</b>	Barclays Bank Ireland PLC, Banco Bilbao Vizcaya Argentaria, S.A., HSBC Continental Europe, Norbolsa, S.V., S.A. and Société Générale.
<b>The SNP Green Notes:</b>	EUR 500,000,000 Fixed Rate Reset Senior Non Preferred Callable Green Notes due October 2027.
<b>Issue Price:</b>	99.671 per cent. of the principal amount of the SNP Green Notes.
<b>Issue Date:</b>	14 October 2021.
<b>Issue size:</b>	EUR 500,000,000.
<b>Use and estimated net amount of Proceeds:</b>	The estimated amount of net proceeds of the issue of the SNP Green Notes is EUR 496,980,000.

The Issuer intends to apply an amount equal to the net proceeds of the issue of the SNP Green Notes to finance and/or refinance, in whole or in part, new or existing Green Eligible Projects (as defined below). See "*Use and Estimated Amount of Net Proceeds*".

<b>Interest:</b>	The SNP Green Notes bear interest (i) at a fixed rate of 0.5% per annum from (and including) the Issue Date to (but excluding) the Reset Date (as defined in the Conditions), and (ii) from (and including) the Reset Date (as defined in the Conditions), at the Reset Rate of Interest (the sum of the 1-year Mid-Swap Rate and the Margin), as determined by the Bank, payable annually in arrear on 14 October in each year commencing on 14 October 2022.
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For further information, see Condition 3. Payments on the SNP Green Notes will be made in euro without deduction for or on account of taxes imposed or levied by the Kingdom of Spain to the extent described under Condition 7 in the Conditions.

<b>Status:</b>	The payment obligations of the Bank under the SNP Green Notes on account of principal constitute direct, unconditional, unsubordinated and unsecured non preferred ordinary claims (" <i>créditos ordinarios no preferentes</i> ") under Additional Provision 14.2 of Law 11/2015.
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According to Additional Provision 14.2 of Law 11/2015, upon the insolvency of the Bank, the SNP Green Notes will rank below any Senior Preferred Liabilities of the Bank and, accordingly, claims in respect of the SNP Green Notes shall be paid after payment of any such other Senior Preferred Liabilities of the Bank.



For further information, see Condition 2.

**Form and Denomination:** The SNP Green Notes have been issued in book-entry form in the denomination of EUR 100,000.

**Final Redemption:** 14 October 2027

**Optional Redemption:** The SNP Green Notes are redeemable at the option of the Bank in whole but not in part, on 14 October 2026, at their principal amount together with any accrued and unpaid interest subject to the prior Supervisory Permission (if and as applicable) and otherwise in accordance with the Applicable Banking Regulations then in force.

In addition, the SNP Green Notes are also redeemable at the option of the Bank in whole but not in part, at any time, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption if a Disqualification Event or a Tax Event occurs and is continuing, subject, in each case, to the prior Supervisory Permission (if and as applicable) and otherwise in accordance with the Applicable Banking Regulations then in force.

For further information, see Conditions 4.2, 4.3, 4.4 and 4.5

**Substitution and Variation:** Subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission when applicable, if a Tax Event or a Disqualification Event occurs and is continuing, the Bank may, at any time, without the consent of the Holders, either substitute all (but not some only) of the SNP Green Notes or vary the terms of all (but not some only) of the SNP Green Notes so that they become or remain Qualifying Notes.

For further information, see Condition 4.6.

**Waiver of set-off:** No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities.

**Events of default:** There are no events of default under the SNP Green Notes which could lead to an acceleration of the SNP Green Notes save if an order is made by any competent court commencing insolvency proceedings against the Bank or if any order is made by any competent court or resolution passed for the liquidation or winding-up of the Bank.

For further information, see Condition 6.

**Loss absorption:** The obligations of the Bank under the SNP Green Notes are subject to, and may be limited, by the exercise of any Loss Absorbing Power by the Relevant Resolution Authority.

For further information, see Condition 14.

<b>Rating:</b>	The SNP Green Notes are rated "Baa3" by Moody's, "BBB-" by S&P and "BBB+" by Fitch.
<b>Withholding Tax:</b>	<p>All payments of interest and any other amounts payable in respect of the SNP Green Notes by or on behalf of the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority of agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required, subject to the exceptions provided in Condition 7.</p> <p>For further information, see Condition 7.</p>
<b>Governing Law:</b>	The SNP Green Notes will be governed by Spanish law.
<b>Listing and Trading:</b>	Application have been made for the SNP Green Notes to be admitted to listing on AIAF.
<b>Clearing Systems:</b>	Iberclear.
<b>Selling Restrictions:</b>	There are restrictions on the offer, sale and transfer of the SNP Green Notes in the United States, the EEA, the UK, Belgium, Switzerland, Italy, France and Spain. Regulation S, category 2 restrictions under the U.S Securities Act apply. The SNP Green Notes have not and will not be eligible for sale in the United States under Rule 144A of the U.S. Securities Act. See " <i>Subscription and Sale</i> ".
<b>Risk Factors:</b>	Investing in the SNP Green Notes involves risks. See " <i>Risk Factors</i> ".

## RISK FACTORS

Any investment in the SNP Green Notes is subject to a number of risks. Prior to investing in the SNP Green Notes, prospective investors should carefully consider risk factors associated with any investment in the SNP Green Notes, the business of the Issuer and the industry in which it operates together with all other information contained in this Prospectus, including, in particular the risk factors described below. Investors should consider carefully an investment in the SNP Green Notes is suitable for them in light of the information in this Prospectus and their personal circumstances.

Words and expressions defined in the "Terms and Conditions of the SNP Green Notes" below or elsewhere in this Prospectus (particularly in section "Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations") have the same meanings in this section.

Only risks which are specific to the Issuer and to the SNP Green Notes are included herein as required by the Prospectus Regulation. Additional risks and uncertainties relating to the Issuer that are not currently known to the Issuer or that it currently deems immaterial or that apply generally to the banking industry (such as reputational risk, risk related to the reduction of credit ratings, risk arising from increasing competition from larger and stronger banks and non-bank competitors, and security risks, including cyber-attacks), for which reason have not been included herein, may individually or cumulatively also have a material adverse effect on the business, prospects, results of operations and/or financial position of the Issuer and, if any such risk should occur, the price of the SNP Green Notes may decline and investors could lose all or part of their investment. Risks that apply generally to negotiable securities such as those related to the secondary market in general (for instance, illiquidity or price fluctuations) and those related to modifications to the SNP Green Notes without the Holders consent or the lack of restrictions on the amount or type of further securities or indebtedness which the Issuer may incur have not been included herein. However, such additional risks may affect the value and liquidity of the SNP Green Notes.

### RISKS RELATING TO THE ISSUER

#### Business and financial risks

##### *Credit risk*

The Group is exposed to the creditworthiness of its customers and counterparties. Credit risk is defined as potential losses in respect of the full or partial breach of the debt repayment obligations of customers or counterparties (including, but not limited to, the insolvency of a counterparty or debtor), and also includes the value loss as a consequence of the credit quality of customers or counterparties. Credits to clients and fixed income securities represented 72.61% and 8.97%, respectively, of the total assets of the Group<sup>1 2</sup> as at 30 June 2021 (69.40% and 8.02%, respectively, as at 31 December 2020, and 70.32% and 6.99%, respectively, as at 31 December 2019). Although, in some cases, compliance with the referred contractual obligations is secured, collateral and security provided to the Group may be insufficient.

Payment defaults by clients may arise from events and circumstances that are unforeseeable or difficult to predict or detect. Market turmoil and economic weakness in Spain, and particularly in the Basque Country region and in Cordoba and Jaen provinces (please see "*Macroeconomic Risks —Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain or in the Basque Country and Andalusia regions or any deterioration in the European or Spanish financial system*" and "*Macroeconomic Risks —The COVID-19 pandemic is adversely affecting the Group and may adversely affect it in the future*"), could have a material adverse effect on the liquidity, business and financial conditions of the Group's clients, which could in turn impair the Group's loan portfolio, affecting the recoverability and value of the Group's assets and requiring an increase in provisions for bad and doubtful debts and other provisions.

During the six-month period ended 30 June 2021 the Group allocated provisions for credit for an amount of EUR 73.80 million (which include EUR 19.80 million to cover the potential effect arising from the macroeconomic deterioration of the Banking book based on the Bank's expected credit loss models). In the year

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<sup>1</sup> "Credits to clients" is an alternative performance measure ("APM"), the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>2</sup> "Fixed income securities" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

ended 31 December 2020 the Group allocated provisions for credit for an amount of EUR 159.20 million (EUR 4.40 million in the year ended 31 December 2019), which include EUR 76.00 million to cover the potential effect arising from the macroeconomic deterioration of the Banking book based on the Bank's expected credit loss models (EUR 0.00 million in the year ended 31 December 2019).

Non-performing or low credit quality loans could negatively impact the Group's results of operations. Although as at 30 June 2021, the cost of credit risk was of 29 basis points<sup>3</sup>, the Issuer cannot assure that it will be able to effectively control the level of the impaired loans in the Group's loan portfolio. As at 30 June 2021, the non-performing loans ("**NPLs**") amounted to EUR 983.68 million (EUR 1,099.23 million as at 31 December 2020 and EUR 1,344.51 million as at 31 December 2019). The NPLs reduction in 2020 was driven by a sale of a NPLs portfolio that resulted in a reduction of EUR 225 million in NPLs (the "**NPLs Portfolio Sale**") (as new NPLs in 2020 amounted to EUR 296.83 million and the recoveries and transfers to defaults amounted to EUR 317.33 million). The impact of the NPLs Portfolio Sale on the 2019 consolidated statement of profit or loss was a loss of EUR 69.16 million and its impact on the 2020 consolidated statement of profit or loss was a gain of EUR 5.33 million.

The Non-Performing Loans Ratio<sup>4</sup> of the Group was 1.95% (2.32% as at 31 December 2020 and 2.98% as at 31 December 2019). As at 30 June 2021 the total non-performing assets (net)<sup>5</sup> of the Group amounted to EUR 868.25 million (EUR 1,058.71 million as at 31 December 2020 and EUR 1,393.76 million as at 31 December 2019), representing 1.33% of the total assets of the Group as at that date (1.66% as at 31 December 2020 and 2.34% as at 31 December 2019). As at 30 June 2021, the Texas ratio<sup>6</sup> of the Group was 31.28% (34.10% as at 31 December 2020 and 39.97% as at 31 December 2019). As at 30 June 2021, the Non-Performing Loans Coverage Ratio<sup>7</sup> of the Group was 77.94% and the coverage of the acquired or repossessed assets<sup>8</sup> was 50.99% (69.23% and 48.93%, respectively, as at 31 December 2020, and 56.54% and 45.37%, respectively, as at 31 December 2019).

If the Group was unable to control the level of its non-performing or poor credit quality loans, this could adversely affect the Group's financial condition and results of operations since these assets do not generate any income but drain resources related to the recovery process in addition to the explicit costs that might be materialised through the constitution of provisions and other impairments.

In addition, the Group routinely transacts with counterparties in the financial services industry; defaults by, and even rumours or questions about the solvency of, certain financial institutions and the financial services industry generally have led to market-wide liquidity problems and could lead to losses or defaults by other institutions. Also, those types of rumours or concerns have arisen and may keep arising in connection with specific geographies or economic sectors at which the Group is exposed, which may derive in a reduction in the value of the relevant Group assets.

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<sup>3</sup> "Cost of credit risk" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer — Alternative Performance Measures*".

<sup>4</sup> The "Non-Performing Loans Ratio" is an APM, the definition, explanation, use and reconciliation of which is set out in the "Glossary attached to the Director's Report" of the directors' report of the 2020 Consolidated Financial Statements, in the "Glossary attached to the Director's Report" of the directors' report of the 2019 Consolidated Financial Statements and in the "Glossary attached to the Director's Report" of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>5</sup> "Total non-performing assets (net)" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer — Alternative Performance Measures*".

<sup>6</sup> The "Texas ratio" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer — Alternative Performance Measures*".

<sup>7</sup> The "Coverage Ratio" is an APM, the definition, explanation, use and reconciliation of which is set out in the "Glossary attached to the Director's Report" of the directors' report of the 2020 Consolidated Financial Statements, in the "Glossary attached to the Director's Report" of the directors' report of the 2019 Consolidated Financial Statements and in the "Glossary attached to the Director's Report" of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>8</sup> "Coverage of the acquired or repossessed assets" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer — Alternative Performance Measures*".

Exposure to the different economic sectors is also relevant when considering the credit risk as events particularly affecting an economic sector may increase the credit risk of the positions in that sector. Among the economic sectors to which the Issuer is exposed, it is worth mentioning the real estate sector as the Kutxabank Group is exposed to the Spanish real estate market not only directly (through the real estate assets that it owns) but also indirectly (given that real estate assets secure many of its outstanding loans). As at 30 June 2021, the outstanding balance of mortgage loans to clients amounted to EUR 33,501.86 million, representing 51.43% of the total assets of the Group (EUR 32,793.06 million and 51.42%, respectively, as at 31 December 2020, and EUR 32,235.63 million and 54.10%, respectively, as at 31 December 2019). The aggregated real estate and developers credit exposure<sup>9</sup> as at 30 June 2021 amounted to EUR 480.98 million, representing 0.74% of the total assets of the Group (EUR 537.84 million and 0.84%, respectively, as at 31 December 2020, and EUR 662.76 million and 1.11%, respectively, as at 31 December 2019). Furthermore, the Group has restructured and extended the maturity of certain of the loans it has made relating to real estate, and the capacity of such borrowers to repay such restructured loans may be materially adversely affected by declining real estate prices.

Failure of third parties to meet their contractual obligations to the Group or the incapability of the Group to control the level of its non-performing or poor credit quality loans could have a material adverse effect on the Group's business, financial condition and results of operations.

A weakening in customers' and counterparties creditworthiness' could also impact the Group's capital adequacy. The regulatory capital levels the Group is required to maintain are calculated as a percentage of its risk-weighted assets ("**RWAs**"), in accordance with the CRD IV Directive and the CRR. The RWAs consist of the Group's balance sheet, off-balance sheet and other market and operational risk positions, measured and risk-weighted according to regulatory criteria, and are driven, among other things, by the risk profile of its assets, which include its lending portfolio. If the creditworthiness of a customer or a counterparty declines, the Group would lower their rating, which would presumably result in an increase in its RWAs, which potentially could reduce the Group's capital adequacy ratios and limit its lending or investments in other operations (please see "*Legal, regulatory and compliance risks —Capital, liquidity and funding requirements*" below).

### ***Interest rate risk***

As a financial intermediary, the Group is exposed to the risk of disruptions in the balance between lending and borrowing conditions. Interest rate risk can be defined as the possibility of the Group incurring losses as a result of the effect of adverse movements in interest rates. Changes in interest rates may affect the net interest income of the Group (which is the difference between the interest due on the Group's interest-earning assets —68.04% of the customer loans are floating rate loans as at 30 June 2021 (70.52% as at 31 December 2020 and 77.19% as at 31 December 2019)— and interest paid on its interest-bearing liabilities —15.56% of the deposits are floating rate deposits as at 30 June 2021 (14.85% as at 31 December 2020 and 15.24% as at 31 December 2019)), and may also affect the current value of future cash flows of a financial structure, thus, affecting the economic value of the Group and its solvency.

The Issuer assess its economic value by discounting future cash flows. As at 30 June 2021 a 100 basis points increase in the long-term interest rates would imply an increase of EUR 356.01 million in the economic value of the Issuer (EUR 374.06 million as at 31 December 2020 and 312.81 million as at 31 December 2019), and also as at that date a 100 basis points decrease in the long-term interest rates would imply a decrease of EUR 220.63 million in the economic value of the Issuer (EUR 330.10 million as at 31 December 2020 and EUR 373.97 million as at 31 December 2019). Likewise, as at 30 June 2021 a 100 basis points increase in the short-term interest rates would imply an increase of EUR 101.20 million in the net interest income of the Issuer (EUR 145.53 million as at 31 December 2020 and 44.87 million as at 31 December 2019), and also as at that date a 50 basis points decrease in the short-term interest rates would imply a decrease of EUR 17.65 million in the net interest income of the Issuer (a decrease of EUR 9.67 million as at 31 December 2020 and of EUR 33.68 million as at 31 December 2019).

Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks and regulation of the financial sectors in the markets in which it operates, as well as domestic and international economic and political conditions and other factors.

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<sup>9</sup> "Real estate and developers credit exposure" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

In addition, the Group's high proportion of loans referenced to floating interest rates makes debt service on such loans more vulnerable to changes in interest rates (please see "*Credit risk*" above). Also, any rise in interest rates could reduce the demand for credit, as well as contribute to an increase in the credit default rate.

Consequently, fluctuations in interest rates may have a material adverse effect on the Group's business, financial condition and results of operations.

### ***Liquidity risk***

Liquidity risk can be defined as the possibility of the Group incurring losses as a result of the Group's ability, under adverse conditions, to timely access funding necessary to cover the Group's obligations to customers as they become due, to meet the maturity of the Group's liabilities and to satisfy capital requirements, including the risk of unexpected increases in the cost of funding and the risk of not being able to structure the maturity dates of the Group's liabilities reasonably in line with its assets. Imbalances between the maturity of the assets of the Group and the maturity of the liabilities of the Group may result in increased funding needs for the Group. Also, instruments available to mitigate liquidity problems may be expensive, thus, impacting ultimately the Group's profitability. This may also have an impact on the Group's strategic position.

The ability of the Group to obtain or access funding could be damaged by factors that are not under the control of Kutxabank, such as general market conditions, alterations or closures in the financial markets, negative prospects of the sectors to which the Group grants a relevant number of its loans, uncertainty as to the creditworthiness of the clients of the Group or confidence in the Group. If there were a deterioration in the situation of the international capital markets or worsening in the credit ratings of the Issuer, it would likely be more difficult for the Group to obtain funding in such markets (for a description of the Issuer's credit ratings, please see "*Description of the Issuer -Credit Rating*"). Furthermore, given that the Issuer is a Spanish credit institution, a crisis in Spanish sovereign bonds could increase its financing costs (please see "*Macroeconomic risks —Sovereign risk*" below).

The main sources of liquidity of the Group are Deposits which represent 90.68% of its total funding<sup>10 11</sup> as at 30 June 2021 (93.96% as at 31 December 2020 and 97.90% as at 31 December 2019), being the remaining 9.32% (6.04% as at 31 December 2020 and 2.10% as at 31 December 2019) mainly covered bonds and ECB funding (on average, this remaining wholesale markets funding represented 7.08% of the total funding<sup>12</sup> in the one-year period ended 30 June 2021 and 5.34% of the total funding in the one-year period ended 31 December 2020 and 4.34% of the total funding in the one-year period ended 31 December 2019). Fixed-rate term deposits represented 13.60% of Deposits<sup>13</sup> as at 30 June 2021 (16.10% as at 31 December 2020 and 21.62% as at 31 December 2019).

Among the wholesale market funding instruments besides ECB funding, as at 30 June 2021, covered bonds amounted to EUR 1,955.00 million, senior non preferred debt amounted to EUR 500.00 million and asset-backed securities amounted to EUR 125.57 million (EUR 3,010.41 million, EUR 500.00 million and EUR 138.65 million, respectively, as at 31 December 2020, and EUR 3,394.51 million, EUR 500.00 million and EUR 156.33 million, respectively, as at 31 December 2019).

With respect to ECB funding, as at 30 June 2021, deposits with central banks amounted to EUR 6,213.56 million (EUR 5,673.29 million as at 31 December 2020 and EUR 1,930.41 million as at 31 December 2019) and the total amount of unencumbered assets eligible as collateral for Eurosystem credit operations amounted to EUR 8,921.34 million (EUR 10,475.12 million as at 31 December 2020 and EUR 9,246.22 million as at 31 December 2019). Additionally, the Group has an issuing capacity of covered bonds of EUR 20,722.99 million as at 30 June 2021 (EUR 18,745.71 million as at 31 December 2020 and EUR 16,987.16 million as at 31 December 2019). During

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<sup>10</sup> "Deposits" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>11</sup> "Total funding" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>12</sup> "Total funding" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>13</sup> "Deposits" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

the six-month period ended on 30 June 2021 the adjusted ECB funding<sup>14</sup> represented 0.75% of the total assets in average during such period (0.00% in 2020 and 2019).

As at 30 June 2021, the Cash Balances<sup>15</sup> of Kutxabank amounted to EUR 4,101.13 million (EUR 6,320.05 million as at 31 December 2020 and EUR 4,929.98 million as at 31 December 2019). As at 30 June 2021, the cumulative maturities in the following three years are EUR 6,838.00 million (EUR 7,347.73 million as of 31 December 2020 and EUR 3,836.86 million as of 31 December 2019).

As at 30 June 2021, short-term debt maturities amounted to EUR 226.85 million (EUR 1,050.00 million as at 31 December 2020 and EUR 931.84 million as at 31 December 2019), while medium and long-term debt maturities including Deposits with Central Banks amounted to EUR 8,717.41 million (EUR 8,190.23 million as at 31 December 2020 and EUR 4,941.52 million as at 31 December 2019).

As at 30 June 2021 the LtD Ratio<sup>16</sup> of the Group was 100.21% (96.99% as at 31 December 2020 and 92.67% as at 31 December 2019).

The liquidity risk can be exacerbated by operational factors such as an over-reliance on a particular source of funding. For example, if the Group changed its funding structure to an over-reliance on wholesale capital markets, this new structure could carry certain risks arising from, for example, adverse scenarios where the normal refinancing of capital market debt instruments was impaired (particularly taking into account that the Issuer is not a publicly-traded entity). In addition, the funding structure of the Group may also prove to be inefficient, thus giving rise to a level of funding costs where the cumulative costs are not sustainable over the longer term.

In addition, the Issuer is also subject to certain regulatory liquidity requirements (please see "*Legal, regulatory and compliance risks —The Group is subject to substantial regulation, and regulatory and governmental oversight —Capital, liquidity and funding requirements*" for information on the regulatory requirements and position of the Issuer).

Any limitation in access to liquidity and funding may have a material adverse effect on the Group's business, financial condition and results of operations.

### **Market risk**

The Group is exposed to market risk as a consequence of its trading activities in financial markets and through the asset and liability management of its overall financial position, including the Group's trading portfolio and other equity investments. Market risk can be defined as the possibility of the Group incurring losses as a result of adverse movements in market prices or rates. In the equity sector in particular, volatility may affect the value of the Group's investments in entities and, depending on their fair value and future recovery expectations, could become a permanent impairment which would be subject to write-offs against the Group's results and cause volatility in capital ratios. The performance of financial markets may cause changes in the value of the Group's investment, available for sale and trading portfolios.

As at 30 June 2021 the Group held equity listed instruments representing 2.45% of its total assets (2.61% as at 31 December 2020 and 2.52% as at 31 December 2019) and fixed income securities<sup>17</sup> representing 8.97% of its total assets (8.02% as at 31 December 2020 and 6.99% as at 31 December 2019). As at 30 June 2021 the exposure of the Group subject to market risk amounted to EUR 1,592.96 million measured as the fair value of the equity listed instruments held by the Kutxabank Group (to EUR 1,666.24 million as at 31 December 2020 and to EUR 1,499.48 million as at 31 December 2019) and to EUR 5,842.72 million in fixed income securities (to EUR 5,117.68 million

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<sup>14</sup> "Adjusted ECB funding" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>15</sup> "Cash Balances" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*". Cash balances is calculated as "Cash, cash balances at central banks and other demands deposits" minus "Reserve requirements" and minus "Other demand deposits".

<sup>16</sup> "LtD Ratio" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>17</sup> "Fixed income securities" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

as at 31 December 2020 and to EUR 4,166.64 million as at 31 December 2019). A standard measure to evaluate market risk is "VaR" (Value at Risk), which intends to show, with a predetermined confidence interval, the maximum potential loss that can arise from a portfolio or group of portfolios over a given time horizon; as at 30 June 2021, the VaR of the fixed income securities and listed variable income securities portfolio (excluding the held-to-maturity portfolio) of the Group, considering a 10-day time horizon and a confidence level of 97.5%, was EUR 76.76 million (EUR 116.54 million as at 31 December 2020 and EUR 50.90 million as at 31 December 2019).

Further, the value of certain financial instruments (such as derivatives not traded on stock exchanges or other public trading markets) are recorded at fair value, which is determined by using financial models other than publicly quoted prices that incorporates assumptions, judgements and estimations that are inherently uncertain and which may change over time or may ultimately be inaccurate. Consequently, failure to obtain correct valuations for such assets may result in unforeseen losses for the Group in the case of any asset devaluations. Moreover, monitoring impairments of this type of assets may prove difficult and future impairments may lead to losses that the Group may not anticipate. As at 30 June 2021 the exposure to derivatives subject to market risk amounted to EUR 1.14 million (to EUR 2.92 million as at 31 December 2020).

Any of the above factors could require the Group to recognise further write-downs or impairment charges. Also, a decrease in the value of the collaterals provided by the Group may require the Group to post additional collateral. As a consequence, adverse movements in market levels and volatility may have a material adverse effect on the Group's business, financial condition and results of operations.

Market risk has also an impact on the regulatory capital requirements of the Kutxabank Group (please see "*Legal, regulatory and compliance risks —The Group is subject to substantial regulation, and regulatory and governmental oversight —Capital, liquidity and funding requirements*" for information on the regulatory requirements and position of the Issuer). As at 30 June 2021, the capital requirements related to market risk amounted to EUR 4.22 million, representing 0.08% of the total capital requirements (EUR 4.01 million and 0.07%, respectively, as at 31 December 2020 and EUR 4.42 million and 0.09%, respectively, as at 31 December 2019).

### **Actuarial risk**

Among its product and services mix, the Group offers a wide range of insurance products, including life and non-life insurance (please see "*Description of the Issuer — Business Overview — Kutxabank Group's Products and Services — Insurance*"), this insurance business line is subject to the actuarial risk. Actuarial risk is associated with the insurance business within the Group's existing business lines and types of insurance, where the use of models, assumptions and estimates is intensive and have impact on the product pricing policies. Actuarial risk can be defined as the possibility of the Group incurring in losses as a result of actual experience not matching the assumptions used in the referred models and estimates.

The income generated by the insurance business<sup>18</sup> reached EUR 67.73 million during the six month period ended 30 June 2021, that represents 11.79% of the gross margin for that period (EUR 122.62 million during the one-year period ended 31 December 2020 and EUR 114.14 million during the one-year period ended 31 December 2019, representing 10.18% and 10.50% for the respective periods).

In addition, under the Solvency II framework, the issuance undertakings of the Group are required to produce estimates that are based on assumptions and this exposes the Group to the risk of these estimates being wrong either because the assumptions were not correct or because new factors not taken into account by the Group arise (please see "*Legal, regulatory and compliance risks —The Group is subject to substantial regulation, and regulatory and governmental oversight*" below).

If actuarial risk was not correctly monitored and managed, it could have a material adverse effect on the Group's business, financial condition and results of operations.

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<sup>18</sup> "Insurance business" is an APM, the definition, explanation, use and reconciliation of which is set out in the "Glossary attached to the Director's Report" of the directors' report of the 2020 Consolidated Financial Statements, in the "Glossary attached to the Director's Report" of the directors' report of the 2019 Consolidated Financial Statements and in the "Glossary attached to the Director's Report" of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.



### ***The Group faces increasing competition in its business lines***

The markets in which the Group operates are highly competitive and this trend will likely continue with new business models expected to be developed in coming years which impact is unforeseeable. In addition, the trend towards consolidation in the banking industry has created larger and stronger banks with which the Group must now compete. This trend is currently continuing (through the merger between CaixaBank, S.A. and Bankia, S.A. and the merger between Unicaja Banco, S.A. and Liberbank, S.A.) and is expected to further continue as the ECB and the Bank of Spain continue to impose measures aimed at strengthening the EU financial sector, especially regarding solvency and liquidity, which may foster consolidation of the Spanish banking sector. The restructuring undergone by the Spanish banking industry has given rise to a scenario in which the number of entities has been sharply reduced and market concentration has increased. While in 2008 the five largest banks accounted for 44% of the market, in terms of total assets, as at June 2021 their joint share was 67% (source: *Banco de España*). For example, increased competition could require that the Group increases the rates offered on deposits or lower the rates charged on loans or could decrease the income from commissions obtained by the Group.

The Group also faces competition from non-bank competitors, such as automotive finance corporations, leasing companies, factoring companies, mutual funds, pension funds, insurance companies, department stores (for some credit products), public debt and, more recently, payment platforms, and more recently new "fintech" businesses, e-commerce providers, mobile telephone companies, internet search engines and other non-bank digital providers (including large digital players such as Amazon, Google, Facebook or Apple). The Group also faces competition from shadow banking entities that operate outside the regulated banking system. The cost-structure, resources and size of the Group may be more limited than those of some of these non-bank competitors (which, for example, allows them to reach a wider number and scope of potential clients) and, thus, the reaction capacity of the Group is reduced.

The non-traditional providers of banking services have an advantage over traditional providers because some of these new services or business models are not yet subject to equivalent regulation. Additionally, several of these competitors may have long operating histories, large customer bases, strong brand recognition and significant financial, marketing and other resources. They may adopt more aggressive pricing and rates and devote more resources to technology, infrastructure and marketing. Furthermore, "crowdfunding" and other social media developments in finance are expected to become more popular as technology further continues to connect society. In addition, large technology companies already have millions of active users and they general and exploit massive amounts of data, which gives them a competitive advantage.

Certain regulatory changes, such as the Second Payment Services Directive, also favour the entry of new competitors (essentially big tech and fintech) and entail a certain risk of platformisation of the banking sector in the long term by increasing transparency and facilitating access to information and collection and payment operations.

The degree of digitalisation of the Group's customers (55.5% of the Group's customers were digital customers as at 30 June 2021 (53.3% at the end of 2020 and 42.6% at the end of 2019)) make Kutxabank consider the competition from digital providers as particularly sensitive in light of the strong brand recognition and significant financial, marketing and other resources which some of such providers have.

If the Group is unable to successfully compete with current and new competitors, or if it is unable to anticipate and adapt its offerings to changing banking industry trends and customer behaviour, including technological changes (e.g., use of internet and mobile banking platforms), its business may be adversely affected. On the other hand, competition may require taking positions contrary to the Group's past investments in, for example, bank premises, equipment or personnel (e.g., requiring certain branches to be closed or sold and its work force to be restructured).

If the Group's customer service levels were perceived by the market to be materially below those of its competitors, the Group could lose existing and potential business; and if the Group is not successful in retaining and strengthening customer relationships, the Group may lose market share, incur losses on some or all of its activities or fail to attract new deposits or retain existing deposits, which could have a material adverse effect on the Group's business, financial condition and results of operations.

## Macroeconomic risks

### ***Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain or in the Basque Country and Andalusia regions or any deterioration in the European or Spanish financial system***

The Group conducts 100% of its business in Spain and, as at 30 June 2021, the Group held Spanish debt (mainly sovereign) representing 6.9% of its total assets (6.6% as at 31 December 2020 and 6.0% as at 31 December 2019). In particular, it has a remarkable footprint in the region of the Basque Country and the provinces of Cordoba and Jaen (the gross income obtained by the retail commercial network in the Basque Country for the year ended 31 December 2020 amounted to EUR 487.37 million (representing 54.40% of the Group's gross income for that year), to EUR 184.27 million in Andalusia (20.57% of the Group's gross income for that year)) (please see "*Description of the Issuer — Business Overview — Kutxabank Group's Products and Services*" and "*Description of the Issuer — Business Overview — Branches and Distribution Channels*"). Consequently, the income generated by the products sold and by the services rendered by the Group depends on the economic conditions in Spain and especially in the Basque Country and Andalusia regions. In addition, since the main market for Spanish goods and services exports is the Eurozone, the Spanish economy is particularly sensitive to economic conditions in the Eurozone.

The Covid-19 pandemic has generated an unprecedented global crisis. Overall, the world economy has suffered a sudden and very deep contraction, which is even more severe for developed economies (see "*The COVID-19 pandemic is adversely affecting the Group and may adversely affect it in the future*"). In 2020, the deficit in Spain stood at 10.8% of the gross domestic product ("**GDP**") (source: *Bank of Spain*) and high public deficits have pushed public debt to 119.9% of GDP in 2020 (source: *Bank of Spain*), but despite the adverse dynamics, the level of public debt in Spain is not far from the Euro area average. As at 30 June 2021 the deficit in Spain stood at 2.95% of the GDP (source: *Ministry for Finance and Public Function*) and in the six-month period ended 30 June 2021 the Spanish GDP only grew 0.5% (source: *Bank of Spain*).

In the Basque Country, the annual decrease in 2020 was also significant. The GDP contracted 9.5% (source: *Eustat, Instituto Vasco de Estadística*), which put a six-year period of growth to an end (although it has increased by 0.1% in the six-month period ended 30 June 2021 (source: *Eustat, Instituto Vasco de Estadística*). The preventive health and social isolation measures adopted to contain the pandemic brought with them the collapse of economic activity, with the first quarter and much more the second quarter being affected. The slump of activity was not translated into a significant increase in unemployment, thanks to the implementation of temporary lay-offs of workforce. In Andalusia the GDP contracted 10.3% in 2020 and recorded a growth of 18.21% in the six-month period ended 30 June 2021 (source: *Instituto de Estadística y Cartografía de Andalucía*).

As at 30 June 2021 the unemployment rate in Spain was 15.26%, 10.02% in the Basque Country and 21.58% in Andalucía (16.13%, 9.96% and 22.74%, respectively, as at 31 December 2020, and 13.78%, 9.09% and 20.8%, respectively, as at 31 December 2019) (source: *Instituto Nacional de Estadística (INE)*).

In 2020, the economy of the Eurozone had a GDP at market prices decrease of 6.3%, below the 1.3% increase achieved in the previous year (source: *Eurostat*). In the second quarter 2021, seasonally adjusted GDP increased by a 14.3% over the same quarter of the previous year (source: *Eurostat*).

In addition to the above, the European and the Spanish economies could be negatively affected by several risks, both external and internal.

Events affecting the global economy in general or the European or Spanish economies in particular, both external (such as a greater slowdown in the emerging economies, episodes of financial volatility or political and geopolitical risks) and internal (such as emergence of political instability in Spain (and its regions) or other EU countries), could negatively affect European and the Spanish economies. Other existing risks to the European and the Spanish economies include a potential increase of the interest rates, the variation of the EUR-USD exchange rate or the implementation of protectionist measures in both foreign and European economic systems. In addition, while the probability of country defaults has decreased since 2012, the possibility of a European sovereign default still exists.

Some of the consequences of a potential new economic downturn could be: (i) reduced demand for the Group's products and services; (ii) increased regulation of the Group's industry (please see: "*Legal, regulatory and compliance risks — The Group is subject to substantial regulation, and regulatory and governmental oversight*" below); (iii) inability of the Group's borrowers to timely or fully comply with their existing obligations (please see "*Business and financial risks — Credit risk*" above); (iv) the accuracy of the Group's estimates of potential

losses inherent to its credit exposure, which may, in turn, impact the reliability of the process and the sufficiency of the Group's loan loss allowances; (v) the value and liquidity of the portfolio of investment securities that the Group holds; or (vi) decrease in the value of the collateral posted by the Group (see "Market risk" above).

In the same vein, any decline in Spain's credit ratings could adversely affect the value of certain securities held by the Group. The exposure of the Group to sovereign risk<sup>19</sup> as at 30 June 2021 amounted to EUR 5,516.48 million, representing 8.47% of the total assets of the group, where Spanish government bonds represented the 81.80% of that exposure (EUR 4,859.58 million, 7.62% and 86.48%, respectively, as at 31 December 2020, and EUR 4,097.62 million, 6.88% and 87.68%, respectively, as at 31 December 2019). It could also adversely impact the extent to which the Group can use Spanish government bonds it holds as collateral for European Central Bank ("ECB") refinancing and, indirectly, for refinancing with other securities, should it choose to do so. In addition, since the Group is a Spanish financial group with a nationwide footprint and almost all of the Group's gross operating income derived from Spain, any decline in Spain's credit ratings could also adversely affect the Group's ability to access liquidity and its ability to raise capital and meet minimum regulatory capital requirements (please see "Business and financial risks — Liquidity risk" and "Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations – Capital, liquidity and funding requirements — Capital requirements" below). Furthermore, any downgrades of Spain's ratings may increase the risk of a downgrade of the Issuer's credit ratings by the rating agencies (for a description of the Issuer's credit ratings, please see "Description of the Issuer - Credit Rating").

In the event that the above external and internal risks materialised and had an adverse impact on the economic prospects of Spain or the EU, the economic situation could reduce and have a material adverse effect on the Group's business, financial condition and results of operations.

#### ***The COVID-19 pandemic is adversely affecting the Group and may adversely affect it in the future***

The COVID-19 pandemic has had severe consequences on the global and domestic economic situation, resulting in, among others, high unemployment levels, weak activity, supply disruptions, liquidity shortages, and increase in defaults. In particular, the pandemic is significantly affecting economic activity in Spain (please see "Unfavourable global economic conditions and, in particular, unfavourable economic conditions in Spain or in the Basque Country and Andalusia regions or any deterioration in the European or Spanish financial system" for information on the evolution on the economic conditions in Spain, the Basque Country and Andalusia in 2020 and the first semester of 2021) and its different economic sectors (some examples of economic sectors affected by the pandemic to which the Issuer has exposures are: transportation and storage, accommodation and food service (which includes tourism) and arts, recreation and entertainment to which the Issuer had an aggregate gross credit exposure of EUR 1,411.43 million as at 30 June 2021 (EUR 1,016.33 million as at 31 December 2020 and EUR 1,035.32 million as at 31 December 2019).

Since its outbreak, the COVID-19 pandemic has exacerbated, and is likely to continue to exacerbate, the risks disclosed in this section. As an example, the table below shows the evolution of the non-performing exposures of the Group excluding contingent exposures (that has not been reduced as much as it could have):

	<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
	<i>(EUR thousands)</i>		
Public sector	7,136	7,313	7,672
Financial Corporates	328	329	237
Non-Financial Corporates	315,606	376,991	382,504
Households	636,293	688,488	689,161
<b>Total</b>	<b>959,363</b>	<b>1,073,121</b>	<b>1,079,574</b>

\*The figures in the table do not take into consideration the NPL Portfolio Sale already classified as held for sale as at 31 December 2019.

As at 30 June 2021, the Non-Performing Loans Ratio<sup>20</sup> of Kutxabank is 1.95% (2.32% as at 31 December 2020 and 2.98% as at 31 December 2019).

<sup>19</sup> "Sovereign risk exposure" is an APM, the definition, explanation, use and reconciliation of which is set out in "Description of the Issuer—Alternative Performance Measures".

<sup>20</sup> The "Non-Performing Loans Ratio" is an APM, the definition, explanation, use and reconciliation of which is set out in the "Glossary attached to the Director's Report" of the directors' report of the 2020 Consolidated Financial Statements, in the "Glossary attached to the Director's Report" of the directors' report of the 2019 Consolidated Financial Statements and in the "Glossary attached to the Director's Report" of the directors'

The Group allocated new provisions relating to the COVID-19 pandemic amounting to EUR 138.94 million in the year ended 31 December 2020 (to EUR 34.50 million in the six-month period ended 30 June 2021), no provisions in that regard were allocated in the year ended 31 December 2019 as the risk did not exist at that time.

To mitigate the economic effects of COVID-19 pandemic the Spanish authorities established regulatory moratoria for vulnerable borrowers on both mortgage and other loans transactions (the "**Legal Moratorium**"). Spanish institutions complemented these moratoria through sectorial agreements (the "**Non-legal Moratorium**"), Kutxabank applied the "*Acuerdo sectorial sobre aplazamiento de operaciones de financiación de clientes afectados por la crisis del coronavirus*" promoted by Confederación Española de Cajas de Ahorros. Both categories of moratoria could be requested until 31 March 2021. During 2020 the Issuer granted moratoria for an aggregated amount of EUR 926.14 million, EUR 542.25 million of which were outstanding as at 31 December 2020. During 2021, the Issuer has granted moratoria for an aggregated amount of EUR 19.06 million. As at 30 June 2021, the breakdown by moratorium granted was as follows:

	<i>(EUR thousands)</i>		
	Gross carrying amount	Moratorium	
		Legal	Non-legal Moratorium
Mortgages	143,726	32,685	111,041
Other loans	9,354	3,033	6,321
<b>Total</b>	<b>153,080</b>	<b>35,718</b>	<b>117,362</b>

As at 30 June 2021, the mortgage moratoria and the moratoria of consumer loans represented, respectively, 0.43% and 0.76% of the total mortgage portfolio and of the total consumer portfolio, respectively (1.54% and 3.09%, respectively, as at 31 December 2020).

As at 30 June 2021, 95.81% of the total moratoriums (both Legal Moratoriums and Non-legal Moratorium) were granted to households and the remaining 4.19% were granted to non-financial corporations (98.10% and 1.90%, respectively, as at 31 December 2020).

As at 30 June 2021, 67.27% of the total moratoriums granted were due to expire in a period of three or less months and 31.20% in a period of between three to six months.

As at 30 June 2021, 2.54% of the total moratoriums granted were non-performing (2.97% as at 31 December 2020).

Taking into account the announcements made by the European Central Bank ("**ECB**") and the EBA (please see "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations – Capital, Liquidity and Funding Requirements – Prudential treatment of NPLs*"), including the EBA Guidelines on public and sectorial moratoria, which included additional safeguards against the risk of an undue increase in unrecognised losses on banks' balance sheet), the moratoria implemented by Spanish authorities have not had a material adverse effect in terms of provisions for NPLs. However, the lower interest generated during the moratorium periods of the Legal Moratorium had a negative impact in the form of a lower net interest income. As regards Non-legal Moratorium, given that it was on capital and not on interest, its main impact has been to help to reduce the number of clients who are at doubtful risk.

Other measures adopted to address the economic and social impact of COVID-19 included granted new operations backed by public support measures (ICO, Elkargi, Sociedad de Garantía Recíproca and Sociedad de Aavales y Garantías de Andalucía, Sociedad de Garantía Recíproca) for affected companies and self-employed workers. As at 30 June 2021, the Bank had granted financing backed by public support amounting to EUR 554.19 million (7.01% of the total small and medium enterprises and corporations portfolio). As at 31 December 2020, the Bank had granted financing backed by public support amounting to EUR 520.08 million (6.94% of the total small and medium enterprises and corporations portfolio), on average, the public support backed 81.44% of said financing.

If additional measures similar to these ones are implemented in the future, this may have an adverse effect on the Group's business, financial condition and results of operations

The effects that the pandemic is causing (and that is expected to continue causing in the future) and the exceptional measures taken by authorities are having, and may still in the future have, an adverse effect on the Group's

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report of the 2021 Consolidated First Semester Interim Financial Statements. The Non-Performing Loans Ratio does have the NPL Portfolio Sale into consideration.

business, financial condition and results of operations. Besides not being predictable, the future effects of the coronavirus pandemic in the Group's business, financial condition and results of operations will depend on many circumstances and developments that the Group cannot control (including subsequent waves of infections, the measures adopted to contain the disease and to mitigate its impact, the effectiveness of the vaccination programme, the success of the EU Next Generation EU Programme or, specifically for the banking sector, the measures and financial stimulus packages implemented by regulators, central banks and governments).

## **Internal operation risks**

### ***Operational risks***

Operational risks can be defined as the possibility of the Group incurring in losses arising from inadequate or failed internal process (such as financial internal reporting, risk management or compliance processes), processing errors, system failures, low productivity, inadequate qualifications of staff, cyber-attacks, fraud or criminal acts carried out by the Group employees or against the Group, deficient customer service, as well as from external events (such as breakdown in communications or the electrical supply or external system failures (such as administrative or accounting mistakes or errors in the computer or communication systems)). The Group also faces the risk that the design of its controls and procedures prove to be inadequate or are circumvented. The implementation of a prior risk assessment is not a sufficient guarantee of an accurate estimate of the costs deriving from such errors.

This type of risk is especially relevant in the banking business because it depends on the ability to process a large number of transactions efficiently and accurately on a daily basis and given the large number of transactions carried out, mistakes derived from the above referred factors could be made repeatedly and be accumulated before they are discovered and remedied.

As at 30 June 2021, the capital requirements associated to the operational risk of the Group amounted to EUR 173.29 million (EUR 173.29 million as at 31 December 2020 and EUR 179.00 million as at 31 December 2019), representing 3.21% of the total capital (3.21% as at 31 December 2020 and 3.45% as at 31 December 2019).

As at 31 December 2020, the investments in technology of the Group amounted to EUR 31.91 million (EUR 34.12 million as at 31 December 2019).

Any weakness in the internal processes or system or any other of the above factors could adversely affect the Group results or the reporting of such results, and also affect the ability of the Group to deliver appropriate customer services. Also, losses incurred by the Group's customers as a result of any security breaches, errors, omissions, malfunctions, system failures or disaster could subject it to claims from clients for recovery of such losses. The Group could also be subject to penalties and disciplinary sanctions as a consequence of the above (for example in the event of any delay or omission by it in the processing and registration of transactions or any breach in internal control).

All of the foregoing could cause financial damages and/or damage to the image of the Group, which in turn might have a material adverse effect on the Group's business, financial condition and results of operations.

## **Legal, regulatory and compliance risks**

### ***The Group is subject to substantial regulation, and regulatory and governmental oversight***

The Group's operations are subject to ongoing regulation and associated regulatory risks, including the effects of changes in laws, regulations, policies and interpretations, in Spain and the EU. This is particularly the case in the current market environment, which is witnessing increased levels of government and regulatory intervention in the banking sector which is expected to continue for the foreseeable future. This creates significant uncertainty for the Bank and the financial industry in general.

The regulations which most significantly affect the Group, or which could most significantly affect the Group in the future, include regulations relating to capital, liquidity and funding requirements (please see "*Capital, liquidity and funding requirements below*" and section "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations –Capital, liquidity and funding requirements*" below). It is also particularly noteworthy how regulation has also increased in terms of customer and investor protection and digital and technological matters, including: (i) the Directive on credit agreements for consumers relating to residential immovable property; (ii) the Basic Payment Accounts Directive; (iii) the Second Payment Services Directive; (iv) the General Data Protection

Regulation; (v) the Markets in Financial Instruments Directive; (vi) the Insurance Distribution Directive; (vii) the Benchmarks Regulation; and, in connection with insurance business, (viii) the Solvency II framework.

Other rules and regulations that significantly affect the Group are those related to money laundering, corruption and the financing of terrorism which have become increasingly complex and detailed and have become the subject of enhanced government supervision. There are several situations in the day-to-day banking business where these rules become applicable (for example, as part of its business, the Group executes transfers of funds that are exposed to be a tool for money laundering (which, in addition, could be more difficult to track with the eruption of new technologies such as cryptocurrencies or blockchain)) and, consequently, the Bank requires improved systems and sophisticated monitoring and compliance personnel.

Any required changes to the Group's business operations resulting from the legislation and regulations applicable to such business could result in significant loss of revenue, limit the Group's ability to pursue business opportunities in which the Group might otherwise consider engaging, affect the value of assets that the Group holds, require the Group to increase its prices and therefore reduce demand for its products, impose additional costs on the Group or otherwise adversely affect the Group's businesses. Any of the foregoing may have a material adverse effect on the Group's business, financial condition and results of operations.

As an example of how regulations and their application by regulators impact the Group, the regulators of the Group, as part of their supervisory function, periodically review the Group's allowances for loan losses. Those regulators may require the Group, if and as the case may be, to increase such allowances, to recognise further losses or to increase the regulatory risk-weighting of assets, or may increase its combined buffer requirement or increase its P2R. Any such measures, as required by these regulatory agencies, whose views may differ from those of the management of the Group, could have an adverse effect on its earnings and financial condition and, as the case may be, on the Common Equity Tier 1 ("CET1") ratios.

In addition, the accounting standard setters and other regulatory bodies periodically change the financial accounting and reporting standards that govern the preparation of the stand-alone and consolidated financial statements. These changes can materially impact how the Group records and reports its financial condition and results of operations. In some cases, the Group could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. In particular, the results of the Group could be adversely affected by the implementation of IFRS 17 in 2021 (or 2022, in case the one-year deferral of IFRS 17 proposed in the IASB meeting of November 2018 is finally approved in the due process of the amendment of the standard). The Issuer is currently analysing the effect of this standard and cannot anticipate as at the date of this Prospectus how it will impact the Group's business, financial condition and results of operations.

#### *Capital, liquidity and funding requirements*

In December 2019, Kutxabank was informed by the ECB of the consolidated capital requirements applicable to the Kutxabank Group<sup>21</sup> from 1 January 2020 onwards and that are still applicable in 2021. The details of these capital requirements, calculated on the basis of risk-weighted assets, are described below:

Category	CET1 ratio (%)	Total capital ratio (%)
Pillar 1	4.50	8.00
Pillar 2 (P2R)*	1.20	1.20
Conservation buffer	2.50	2.50
Other buffers	0.00	0.00
<b>TOTAL REQUIREMENTS</b>	<b>8.20</b>	<b>11.70</b>

\* Besides with CET1 instruments, P2R can be partially covered with AT1 and Tier 2 instruments.

The table below sets out the Group's consolidated capital position as at 30 June 2021, 31 December 2020 and 2019:

	30 June 2021*		31 December			
	Phased-in	Fully loaded	2020		2019	
			Phased-in	Fully loaded	Phased-in	Fully loaded
CET1 ratio (%)	17.42	16.98	17.83	17.44	17.17	16.94
Tier 1 ratio (%)	17.42	16.98	17.83	17.44	17.17	16.94
Total Capital ratio (%)	17.42	16.98	17.83	17.44	17.17	16.94

\* Including 40% of the profits during the six-month period ended 30 June 2021.

<sup>21</sup> Kutxabank is not required to comply with capital requirements at an individual level.

In December 2020 Kutxabank received the formal communication from the Bank of Spain regarding its MREL requirement established by the Single Resolution Board (the "SRB"). According to that communication, the Group is required to reach by 1 January 2024 a consolidated amount of own funds and eligible liabilities of 17.10% of the Total Risk Exposure Amount ("TREA") and of 5.27% of the Leverage Ratio Exposure ("LRE") (excluding the capital allocated to cover the "combined buffer requirement"). Additionally, consolidated intermediate targets of 16.59% of the TREA and 5.27% of the LRE (excluding the capital allocated to cover the "combined buffer requirement") to be reached by 1 January 2022 were also set. The requirement is aligned with the Bank's expectations and its financing plan. As at 30 June 2021, the Group's phased-in MREL represented 19.03% of the TREA and a 9.40% of the LRE (without excluding the capital allocated to cover the "combined buffer requirement").

In addition, a binding 3% Tier 1 Leverage Ratio ("LR") requirement has been added to the own funds requirements and which institutions must meet in addition to their risk-based requirements. As at 30 June 2021, Kutxabank's phased-in LR was 8.68% and its fully-loaded LR was 8.47% (9.23% and 9.02%, respectively, as at 31 December 2020 and 8.56% and 8.44%, respectively, as at 31 December 2019).

Finally, Kutxabank is also required to comply with certain liquidity requirements: the Group must comply with 100% of the applicable Liquidity Coverage Ratio ("LCR") and the EU Banking Reforms (as this term is defined in "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations –Capital, liquidity and funding requirements*") contained the implementation of the net stable funding ratio ("NSFR"). As at 30 June 2021, the LCR of the Group was 194.49% as at 30 June 2021 (238.83% on average during the 12-months period ended on 30 June 2021), 253.53% as at 31 December 2020 and 215.84% as at 31 December 2019. As at 30 June 2021, NSFR of the Group was 136.89% (135.77% on average during the 12-months period ended on 30 June 2021), 136.21% as at 31 December 2020 and 130.53% as at 31 December 2019.

Please see "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations –Capital, liquidity and funding requirements*" for a more detailed description and explanation of these capital, liquidity and funding requirements.

There can be no assurance that the application of the existing regulatory requirements, standards or recommendations will not require the Bank or the Group to issue additional securities that qualify as regulatory capital or eligible liabilities (this requirement to issue additional securities may, in addition, impair the ability of the Bank or the Group to manage their funding and capital resources in the most efficient way), to liquidate assets, to curtail business, to maintain a greater proportion of its assets in highly-liquid but lower-yielding financial instruments or to take any other actions, any of which may have a material adverse effect on the Group's business, financial condition and results of operations. Moreover, it should not be disregarded that new and more demanding additional regulatory requirements, standards or recommendations may be applied in the future. Failure by the Bank or the Group to comply with regulatory requirements could result in the imposition of administrative actions or sanctions, such as further P2Rs or the adoption of any early intervention or, ultimately, resolution measures.

#### ***The Group is exposed to risk of loss from legal and regulatory claims***

The members of the Group are, and in the future may be, involved in various claims, disputes, legal proceedings and governmental investigations. The outcome of these claims, disputes, legal proceedings and governmental investigations is inherently difficult to predict, particularly where the claimants seek very large or indeterminate damages, or where the cases present novel legal theories, involve a large number of parties or are in the early stages of discovery, and, therefore, the Issuer cannot state with confidence what the eventual outcome of these pending matters will be or what the eventual loss, fines or penalties related to each pending matter may be or if the reserves accounted will be sufficient.

These claims and proceedings may expose the Group to monetary damages, direct or indirect costs or financial loss, civil and criminal penalties, loss of licenses or authorisations, or loss of reputation, as well as the potential regulatory restrictions on the Group's businesses. In addition, the Group may incur in significant expenses in connection with its claims, disputes, legal proceedings or governmental investigations, regardless their ultimate outcome, and may divert management's time and attention. All of the above may have a material adverse effect on the Group's business, financial condition and results of operations.

Although the legal and arbitration proceedings of the Kutxabank Group relevant for the purposes of this Risk Factor are briefly summarised below, please see "*Description of the Issuer –Legal and arbitration proceedings*" for a description of the main legal proceedings of the Kutxabank Group.

### *IRPH potential litigation*

Various court proceedings and claims have been brought against the Group for the use of the Mortgage Loan Reference Index (IRPH) as the basis for determining the interest applicable to certain consumer mortgage loans. As at 31 December 2020, the Group had outstanding consumer mortgage loans linked to the IRPH, payment of which was up to date, amounting to approximately EUR 598.91 million, representing 1.83% of the outstanding balance of mortgage loans (EUR 679.18 million and 2.11%, respectively, as at 31 December 2019).

The legal issue relates to the transparency control based on Article 4.2 of Council Directive 93/13/EEC of 5 April 1993 in cases where the borrower is a consumer. Since the IRPH is the price of the agreement and is within the main purpose of the agreement, it must be drafted clearly and in an easily comprehensible language so that consumers can assess, based on clear and understandable criteria, the economic implications of the agreement for them. Kutxabank has not recognised any provision in connection with it.

### *Mortgage loan arrangement expenses*

Traditionally in the Spanish market mortgage loans agreements provided that borrowers were responsible for payment of mortgage origination fees, but that type of clauses were challenged by several consumer associations. The Spanish Supreme Court judgments of 23 January 2019, 26 October 2020 and 27 January 2021 finally established the effects of declaring null and void the clause attributing all the expenses and taxes to the borrower as follows:

- Notary's fees: the costs of executing the loan master deed and any amendments thereto must be shared equally.
- The costs of the cancellation deed must be assumed by the borrower, and those of the copies of the various deeds by the party that requested them.
- Registration fee: payable by the lender.
- Stamp tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados* or "**AJD**"): the court confirmed that the party liable for this tax (before entry into force of Royal Decree-Law 17/2018) is the borrower.
- Administrative services company expenses: assumed entirely by the lender.
- Appraisal expenses: correspond entirely to the lender until Law 5/2019 came into force, so as at the date of this Prospectus it corresponds entirely to the borrower.
- Lastly, a decision is being awaited regarding the prescription of the reimburse action to the expenses paid up by the borrowers.

Taking these judgments into account, the Group estimated the amounts it expects to have to pay as a result of current and envisaged claims and recognised a provision of EUR 13.55 million at 31 December 2020 (EUR 23.78 million at 31 December 2019). As at 30 June 2021, the Group has increased its provisions for contingencies for products sold for a total amount of EUR 18 million. Among the main legal reasons for this increase, the one related to the mortgage formalization expenses stands out since the Spanish Supreme Court judgment of 27 January 2021 definitively resolved that -until Law 5/2019 came into force- appraisal expenses must be returned by the lenders.

## **RISKS RELATING TO THE SNP GREEN NOTES**

### ***The SNP Green Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority and to other powers contained in Law 11/2015 or the SRM Regulation***

As further explained in "*Capital, Liquidity and Funding Requirements - Loss absorbing powers*", the SNP Green Notes may be subject to Spanish Bail-in Power, and in general to the powers that may be exercised by the Relevant Resolution Authority under Law 11/2015 and the SRM Regulation, which could materially adversely affect the rights of Holders.

Holders may be subject to, among other things, on any application of the Spanish Bail-in-Power, a write down (including to zero) or conversion into equity or other securities or obligations of amounts due under the SNP



Green Notes. The exercise of any such powers (or any other resolution powers and tools) may result in such Holders losing some or all of their investment or otherwise having their rights under the SNP Green Notes adversely affected. For example, the Spanish Bail-in Power may be exercised in such a manner as to result in Holders receiving a different security, which may be worth significantly less than the SNP Green Notes.

Furthermore, the exercise of the Spanish Bail-in Power with respect to the SNP Green Notes or the taking by the Relevant Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the market price or value or trading behaviour of any SNP Green Notes and/or the ability of the Bank to satisfy its obligations under any SNP Green Notes.

There may be limited protections, if any, that will be available to holders of securities subject to the Spanish Bail-in-Power (including the SNP Green Notes) and to the broader resolution powers of the Relevant Resolution Authority. Accordingly, Holders of the SNP Green Notes may have limited or circumscribed rights to challenge any decision of the Relevant Resolution Authority to exercise its bail-in power.

To the extent that any resulting treatment of a Holder of the SNP Green Notes pursuant to the exercise of the Spanish Bail-in Power is less favourable than would have been the case under the hierarchy in normal insolvency proceedings, such Holder may have a right to compensation under BRRD and the SRM Regulation based on an independent valuation of the institution. Any such compensation, together with any other compensation provided by any Applicable Banking Regulations, is unlikely to compensate that Holder for the losses it has actually incurred and there is likely to be a considerable delay in the recovery of such compensation.

The exercise of the Spanish Bail-in Power by the Relevant Resolution Authority with respect to the SNP Green Notes is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank's control. In addition, as the Relevant Resolution Authority will retain an element of discretion, Holders of the SNP Green Notes may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such power. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Resolution Authority may occur. Moreover, the Relevant Resolution Authority may exercise any such powers without providing any advance notice to the Holders.

***The SNP Green Notes constitute senior non preferred ordinary claims ("créditos ordinarios no preferentes") and are junior to certain obligations***

Pursuant to Condition 2 of the Terms and Conditions of the SNP Green Notes, the payment obligations of the Bank under the SNP Green Notes on account of principal constitute non preferred ordinary claims ("*créditos ordinarios no preferentes*") under Additional Provision 14.2 of Law 11/2015, upon the insolvency of the Bank (and unless they qualify as subordinated claims ("*créditos subordinados*") pursuant to Article 281.1. of the Insolvency Law), as at the date of this Prospectus, they will rank behind claims against the insolvency estate ("*créditos contra la masa*"), claims with privilege ("*créditos privilegiados*") and any other ordinary claims ("*créditos ordinarios*") against the Bank, other than non-preferred ordinary claims ("*créditos ordinarios no preferentes*"), including without limitation, the Bank's Senior Preferred Liabilities<sup>22</sup> and *pari passu* among themselves and with any Senior Non Preferred Liabilities.

If the Bank were wound up or liquidated, a liquidator would apply the assets which are available to satisfy all claims in respect of its senior and unsecured liabilities, first to satisfy claims of all other creditors ranking ahead of Holders, and then to satisfy claims in respect of the SNP Green Notes (and other Senior Non Preferred Liabilities). If the Bank does not have sufficient assets to settle the claims of higher ranking creditors in full, the claims of the Holders under the SNP Green Notes will not be satisfied. Holders will share equally in any distribution of assets available to satisfy claims of the same ranking with the creditors under any other Senior Non Preferred Liabilities if the Bank does not have sufficient funds to make full payment to all of them. As at the date of this Prospectus, the Bank does not have any debt securities outstanding ranking junior to the SNP Green Notes and has debt securities outstanding ranking *pari passu* with the SNP Green Notes for an aggregated amount of EUR 500.00 million.

In addition, if the Bank enters into resolution, its eligible liabilities (including the SNP Green Notes) could be subject to the Spanish Bail-in Power (see "*The SNP Green Notes may be subject to the exercise of the Spanish*

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<sup>22</sup> The Bank's Senior Preferred Liabilities would include, among other liabilities, its deposit obligations (other than the deposits obligations qualifying as preferred liabilities ("*créditos con privilegio general*") under Additional Provision 14.1 of Law 11/2015), its obligations in respect of derivatives and other financial contracts and its unsecured and unsubordinated debt securities other than Senior Non Preferred Liabilities.

*Bail-in Power by the Relevant Resolution Authority and to other powers contained in Law 11/2015 or the SRM Regulation").* The sequence of any resulting write-down or conversion of eligible instruments provides for claims to be written-down or converted into equity in accordance with the hierarchy of claims provided in the Insolvency Law.

As a consequence, Holders of the SNP Green Notes would bear significantly more risk than creditors of the Bank's Senior Preferred Liabilities and could lose all or a significant part of their investment if the Bank were to become (i) subject to resolution under the BRRD (as implemented through Law 11/2015 and Royal Decree 1012/2015) and the SRM Regulation or (ii) insolvent.

***The SNP Green Notes provide for limited events of default and some of them may not be enforceable***

There are no events of default under the SNP Green Notes which could lead to an acceleration of the SNP Green Notes save if an order is made by any competent court commencing insolvency proceedings against the Bank or if any order is made by any competent court or resolution passed for the liquidation or winding-up of the Bank. Accordingly, in the event that any payment on the SNP Green Notes is not made when due, Holders have no ability to accelerate the maturity of the SNP Green Notes and each Holder will have a claim only for amounts then due and payable on their SNP Green Notes.

Pursuant to the Insolvency Law those contractual provisions providing for the early termination of a contract upon the insolvency of one of the parties shall be null and void, for which reason it is doubtful whether the SNP Green Notes may be accelerated if an order is made by any competent court commencing insolvency proceedings as contemplated under Condition 6 (*Default*).

As mentioned above, pursuant to the BRRD as implemented through Law 11/2015 and Royal Decree 1012/2015 and the SRM Regulation, the Bank may be subject to a procedure of early intervention or resolution. Pursuant to Law 11/2015 the adoption of any early intervention or resolution procedure shall not itself constitute an event of default or entitle any counterparty of the Bank to exercise any rights it may otherwise have in respect thereof. Any provision providing for such rights shall further be deemed not to apply, although this does not limit the ability of a counterparty to declare any event of default and exercise its rights accordingly where an event of default arises either before or after the exercise of any such procedure and does not necessarily relate to the exercise of any relevant measure or power which has been applied pursuant to Law 11/2015.

Any enforcement by a Holder of its rights under the SNP Green Notes upon the occurrence of an event of default following the adoption of any early intervention or any resolution procedure will, therefore, be subject to the relevant provisions of the BRRD as implemented through Law 11/2015 and Royal Decree 1012/2015 and the SRM Regulation in relation to the exercise of the relevant measures and powers pursuant to such procedure, including the resolution tools and powers referred to above (see "*The SNP Green Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority and to other powers contained in Law 11/2015 or the SRM Regulation*").

Any claims on the occurrence of an event of default will consequently be limited by the application of any measures pursuant to the provisions of Law 11/2015, Royal Decree 1012/2015 and the SRM Regulation. There can be no assurance that the taking of any such action would not adversely affect the rights of Holders, the price or value of their investment in the SNP Green Notes and/or the ability of the Bank to satisfy its obligations under the SNP Green Notes and the enforcement by a Holder of any rights it may otherwise have on the occurrence of any event of default may be limited in these circumstances.

***The SNP Green Notes may be redeemed prior to maturity at the option of the Bank***

Subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission when applicable, all, and not some only, of the SNP Green Notes may be redeemed at the option of the Bank (i) on 14 October 2026, at their principal amount together with any accrued and unpaid interest (as indicated in Condition 3.2) and (ii) at any time, if there is a Disqualification Event or a Tax Event, at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Redemption due to a Disqualification Event or a Tax Event will require that (a) a certificate signed by two of the Bank's duly Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem is satisfied and (b) in the case of a redemption pursuant to a Tax Event, the Bank uses its best efforts for an opinion from a nationally recognised law firm or other tax adviser in the Kingdom of Spain experienced in such matters to the effect that the relevant requirement or circumstance referred to in the definition of "Tax Event" prevails, are made available to Holders.

Under the SNP Green Notes, a Disqualification Event means, at any time on or after the Issue Date, that all or part of the outstanding nominal amount of the SNP Green Notes does not fully qualify as MREL-Eligible Senior Non Preferred Instruments of the Group, except where such non-qualification (i) is due solely to the remaining maturity of the relevant SNP Green Notes being less than any period prescribed for MREL-Eligible Senior Non Preferred Instruments by the Applicable Banking Regulations or (ii) is as a result of the relevant SNP Green Notes being bought back by or on behalf of the Bank or a buy back of the relevant SNP Green Notes which is funded by or on behalf of the Bank. See also Condition 4.5.

For the purposes of the SNP Green Notes, a Tax Event is a change in, or amendment to, the laws or regulations of the Kingdom of Spain, or any change in the official application or interpretation of such laws or regulations that results in (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in the Kingdom of Spain in respect of any payment of interest in respect of the SNP Green Notes or the value of such deduction to the Bank being materially reduced, or (b) the Bank being obliged to pay additional amounts pursuant to Condition 7, or (c) the applicable tax treatment of the SNP Green Notes changes in a material way that was not reasonably foreseeable at the Issue Date and, in each case, cannot be avoided by the Bank taking reasonable measures available to it. See also Condition 4.4.

The CRR provides that the redemption of eligible liabilities instruments prior to the date of their contractual maturity is subject to the prior permission of the resolution authority. According to Article 78a4 of CRR, such permission will be given only if any of the following conditions is met:

- (i) before or at the same time of such redemption, the institution replaces the eligible liabilities instruments with own funds or eligible liabilities instruments of equal or higher quality at terms that are sustainable for the income capacity of the issuer; or
- (ii) the institution has demonstrated to the satisfaction of the resolution authority that the own funds and eligible liabilities of the institution would, following such redemption, exceed the requirements laid down in the CRR, the CRD IV and the BRRD by a margin that the resolution authority, in agreement with the competent authority, considers necessary; or
- (iii) the institution has demonstrated to the satisfaction of the resolution authority that the partial or full replacement of the eligible liabilities with own funds instruments is necessary to ensure compliance with the own funds requirements laid down in CRR and in CRD IV for continuing authorisation.

It is not possible to predict whether or not the SNP Green Notes will or may qualify as MREL-Eligible Senior Non Preferred Instruments or if any further changes or circumstances, further change in the laws or regulations of the Kingdom of Spain, Applicable Banking Regulations or in the application or official interpretation thereof, or any of the other events referred to above, will occur and so lead to the circumstances in which the Bank is able to elect to redeem the SNP Green Notes, and if so whether or not the Bank will elect to exercise such option to redeem the SNP Green Notes or any prior consent of the competent authority required for such redemption will be given. There can be no assurances that, in the event of any such early redemption, Holders will be able to reinvest the proceeds at a rate that is equal to the return on the SNP Green Notes.

In addition, the redemption feature of the SNP Green Notes is likely to limit their market value. During any period when the Bank has the right to elect to redeem the SNP Green Notes or there is a perceived increase in the likelihood that the Bank will exercise the right to elect to redeem the SNP Green Notes, the market value of the SNP Green Notes is unlikely to rise substantially above the price at which they can be redeemed. This may also be true prior to such period if the market believes that the SNP Green Notes may become eligible for redemption in the near term.

***The qualification of the SNP Green Notes as MREL-Eligible Senior Non Preferred Instruments is subject to uncertainty***

The SNP Green Notes are intended to be MREL-Eligible Senior Non Preferred Instruments under the Applicable Banking Regulations. However, there is uncertainty regarding the final substance of the Applicable Banking Regulations on the subject and how those regulations, once enacted, are to be interpreted and applied and the Bank cannot provide any assurance that the SNP Green Notes will or may be (or thereafter remain) MREL-Eligible Senior Non Preferred Instruments.

The EU Banking Reforms include directives and regulations intended to clarify the requirements for MREL eligibility. The CRD V Directive and BRRD II have been partially implemented into Spanish law through

RDL 7/2021 which has amended, amongst others, Law 10/2014 and Law 11/2015. Despite the fact that RDL 7/2021 is generally enforceable since 29 April 2021, the Spanish Parliament decided on 19 May 2021 to process it as a Law and so RDL 7/2021 provisions may be subject to changes. Furthermore, full implementation of CRD V Directive and BRRD II still requires approval of the relevant amendments to other secondary Spanish regulations, so it is uncertain how such amendments will affect the Bank or the Holders of the SNP Green Notes. In addition, there is also uncertainty as to how the EU Banking Reforms will be implemented and applied by the relevant authorities.

Because of this uncertainty, the Bank cannot provide any assurance that SNP Green Notes will or may ultimately be (or thereafter remain) MREL-Eligible Senior Non-Preferred Instruments.

If for any reasons the SNP Green Notes are not MREL-Eligible Senior Non Preferred Instruments or if they initially are MREL-Eligible Senior Non Preferred Instruments and subsequently become ineligible, then a Disqualification Event will occur, with the consequences indicated in the Conditions. See "*—The SNP Green Notes may be redeemed at the option of the Bank*" and "*—Substitution and variation of the SNP Green Notes without Holder consent*".

***The application of an amount equivalent to the net proceeds in Green Eligible Projects as described in "Use and Estimated Amount of Net Proceeds" may not meet investor expectations or be suitable for an investor's investment criteria***

The section "*Use and Estimated Amount of Net Proceeds*" provides that it is the Issuer's intention to apply an amount equivalent to the net proceeds of the SNP Green Notes to finance and/or refinance, in part or in full, new and/or existing loans, investments or projects that meet the eligibility criteria ("**Green Eligible Projects**") in accordance with the Issuer's green bond framework (the "**Green Bond Framework**"), published on the website of the Issuer and as amended, supplemented, restated or otherwise updated on such website from time to time, and for the SNP Green Notes to be labelled as "green".

No assurance is given by the Issuer or the Joint Lead Managers that such use of proceeds will satisfy any present or future investment criteria or guidelines with which an investor is required, or intends, to comply, whether by any present or future applicable law or regulations or by its own by-laws or governing rules or investment portfolio mandates, in particular with regard to any direct or indirect environmental or sustainability impact of any project or uses, the subject of or related to, the Green Bond Framework.

No assurance can be given by the Issuer or the Joint Lead Managers that Green Eligible Projects will meet investor expectations or requirements regarding such "green" or similar label (including Regulation (EU) 2020/852 on the establishment of a framework to facilitate sustainable investment (the so called "**EU Taxonomy**"), the EU Taxonomy Climate Delegated Act adopted by the EU Commission on 21 April 2021 (jointly, the "**EU Taxonomy Regulation**"), or Regulation (EU) 2020/852 as it forms part of domestic law in the UK by virtue of the EUWA, or any further regulations or standards that may be approved or created (including, for example, any standard resulting from the Regulation on a voluntary European Green Bond Standard (EUGBS) proposed by the European Commission on 6 July 2021)).

Furthermore, it should be noted that there is currently no clearly defined definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a "green" or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as "green" or such other equivalent label nor can any assurance be given that such a clear definition or consensus will develop over time or that any prevailing market consensus will not significantly change. The EU Taxonomy Regulation establishes a basis for the determination of such a definition in the EU. However, the EU Taxonomy remains subject to the implementation of delegated regulations by the European Commission on technical screening criteria for the environmental objectives set out in the EU Taxonomy Regulation. Therefore, no assurance is or can be given by the Issuer or the Joint Lead Managers to investors that any projects or uses the subject of, or related to, any eligible projects will meet any or all investor expectations regarding such "green", or other equivalently-labelled performance objectives or that any adverse environmental and/or other impacts will not occur during the implementation of any projects or uses the subject of, or related to, any eligible projects.

Each prospective investor should have regard to the factors described in the Green Bond Framework and the relevant information contained in this Prospectus and seek advice from their independent financial adviser or other professional adviser regarding its purchase of the SNP Green Notes before deciding to invest.

The Issuer has commissioned Vigeo Eiris to conduct an external review of the Green Bond Framework, which has issued a second party opinion available for viewing on the Issuer's website (the "**Second Party Opinion**").

No representation or assurance is given by the Issuer or the Joint Lead Managers as to the suitability or reliability of the Second Party Opinion or any other opinion, certification or report of any third party (whether or not solicited by the Issuer or any affiliate). For the avoidance of doubt, any such opinion, certification or report is not incorporated in this Prospectus. The Second Party Opinion is not a recommendation by the Issuer or the Joint Lead Managers or any other person to buy, sell or hold any SNP Green Notes and is current only as at the date it was issued. As at the date of this Prospectus, the provider of such opinion is not subject to any specific regulatory or other regime or oversight. Prospective investors must determine for themselves the relevance of any such opinion and/or the information contained therein.

While it is the intention of the Issuer to apply an amount equivalent to the net proceeds of the SNP Green Notes for Green Eligible Projects, and to report on allocation and impact until an amount equivalent to the net proceeds of the SNP Green Notes have been fully allocated, there is no contractual obligation to do so. There can be no assurance that any such Green Eligible Projects will be available or capable of being implemented in the manner anticipated and, accordingly, that the Issuer will be able to use an amount equivalent to the net proceeds of the SNP Green Notes for such Green Eligible Projects as intended. In addition, there can be no assurance that Green Eligible Projects will be completed as expected or achieve the impacts or outcomes (environmental or otherwise) originally expected or anticipated. None of a failure by the Issuer to allocate an amount equivalent to the net proceeds of the SNP Green Notes, a failure to report on the allocation and impact, a failure of a third party to issue (or withdraw) an opinion, certification or report in connection with the SNP Green Notes or a failure of the SNP Green Notes to meet investors' expectations requirements regarding their "green" label will constitute an event of default or breach of contract with respect to the SNP Green Notes.

A failure of the SNP Green Notes to meet investor expectations or requirements as to their "green" characteristics including the failure to apply an amount equivalent to the net proceeds of the SNP Green Notes for Green Eligible Projects, the failure by the Issuer to report on allocation and impact, the failure to provide, or the withdrawal of, a third party opinion, certification or report or the SNP Green Notes ceasing to be listed or admitted to trading on any dedicated stock exchange or securities market as aforesaid, may have a material adverse effect on the value of the SNP Green Notes and/or may have consequences for certain investors with portfolio mandates to invest in green assets (which consequences may include the need to sell the SNP Green Notes as a result of the SNP Green Notes not falling within the investor's investment criteria or mandate).

None of the above events or the failure to apply an amount equivalent to the net proceeds of the SNP Green Notes for any Green Eligible Projects (at whatever point in time, including any subsequent reallocation) or the fact that the maturity of an eligible green social asset or project may not match the duration of the SNP Green Notes will (i) constitute an event of default or breach of contract under the SNP Green Notes, or (ii) give rise to any claim or right (including, any right to accelerate the SNP Green Notes) of a Holder of the SNP Green Notes against the Issuer, or (iii) lead to an obligation of the Issuer to redeem the SNP Green Notes or be a relevant factor for the Issuer in determining whether or not to exercise any optional redemption rights, or (iv) affect the regulatory treatment of the SNP Green Notes as eligible liabilities for the purposes of MREL.

The SNP Green Notes are issued subject to their applicable terms and conditions including, without limitation, in relation to their status, interest payments, redemption and events of default as described in the "*Terms and Conditions of the SNP Green Notes*", regardless of their "green" label. For the avoidance of doubt (i) the SNP Green Notes will not, in any circumstance, accelerate or be subject to an early redemption right due to the "green" label; (ii) Holders of the SNP Green Notes will not be able to exercise any right, and the SNP Green Notes will not be subject to any acceleration or early redemption right, due to a failure by the Issuer to comply with any "green" target, and (iii) payments of principal and interest (as the case may be) on the SNP Green Notes shall not depend on the performance of the relevant project or on compliance with general "green" targets at Issuer level, nor have any preferred right against such assets. No segregation of assets and liabilities regarding the SNP Green Notes or Green Eligible Projects will occur at any time.

Likewise, the SNP Green Notes, as any other notes, will be fully subject to the application of CRR eligibility criteria and BRRD requirements for own funds and eligible liabilities instruments and, as such, an amount equivalent to the net proceeds from the SNP Green Notes should cover all losses in the balance sheet of the Issuer regardless of their "green" label and regardless of whether the losses stem from "green" assets. There will be no arrangement that will enhance the performance of the SNP Green Notes. Additionally, their labelling as "green" (i) will not affect the regulatory treatment of the SNP Green Notes as eligible liabilities for the purposes of MREL; and (ii) will not have any impact on their status as indicated in Condition 2 of the Terms and Conditions of the SNP Green Notes.

Finally, as further explained in the section headed "*Capital, Liquidity and Funding Requirements -Loss absorbing powers*", the SNP Green Notes will be subject to the Spanish Bail-in Power, and in general to the powers that may be exercised by the Relevant Resolution Authority, to the same extent and with the same ranking as any other note which is not a green note (see also "*The SNP Green Notes may be subject to the exercise of the Spanish Bail-in Power by the Relevant Resolution Authority and to other powers contained in Law 11/2015 or the SRM Regulation*").

The Joint Lead Managers have not undertaken, nor are responsible for, any environmental assessment of the Green Bond Framework, any assessment of the eligibility criteria outlined in the Green Bond Framework, any verification of whether the Green Eligible Projects meet such eligibility criteria, or the impact or monitoring of the use of proceeds of the SNP Green Notes.

***The terms of the SNP Green Notes contain a waiver of set-off rights***

The Conditions provide that Holders waive any set-off, netting or compensation rights against any right, claim, or liability the Bank has, may have or acquire against any Holder, directly or indirectly, howsoever arising. As a result, Holders will not at any time be entitled to set-off the Bank's obligations under the SNP Green Notes against obligations owed by them to the Bank.

***The interest rate on the SNP Green Notes will be reset on the Reset Date, which may affect the market value of the SNP Green Notes***

The SNP Green Notes will bear interest at an initial fixed rate of interest from (and including) the Issue Date to (but excluding) the Reset Date. From (and including) the Reset Date, the interest rate will be reset at the Reset Rate of Interest (the sum of the 1-year Mid-Swap Rate and the Margin) as described in Condition 3. The Reset Rate of Interest could be less than the initial interest rate, which could affect the market value of an investment in the SNP Green Notes.

***Substitution and variation of the SNP Green Notes without Holder consent***

Subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission when applicable, if a Tax Event or a Disqualification Event occurs and is continuing, the Bank, in accordance with Condition 4.6, may, at any time, without the consent of the Holders, either (a) substitute new notes for all (but not some only) the SNP Green Notes whereby such new notes shall replace the SNP Green Notes or (b) vary the terms of all (but not some only) the SNP Green Notes, so that the SNP Green Notes may become or remain Qualifying Notes, provided that such substitution or variation shall not result in terms that are materially less favourable to the Holders and only involve those differences with the SNP Green Notes that are strictly necessary, as certified in a Bank's Certificate and an Independent Financial Adviser Certificate. In the exercise of its discretion, the Bank will have regard to the interest of the Holders as a class.

The Qualifying Notes shall, subject to as provided in its definition in the Terms and Conditions of the SNP Green Notes, (1) rank at least equal to the ranking of the SNP Green Notes, (2) have the same denomination and aggregate outstanding principal amount as the SNP Green Notes prior to the relevant variation or substitution, the same (or higher) Interest Rate, the same maturity date and the same Interest Payment Dates as those from time to time applying to the SNP Green Notes, (3) have the same redemption rights as the SNP Green Notes; (4) comply with the then current requirements of Applicable Banking Regulations in relation to MREL-Eligible Senior Non Preferred Instruments; (5) preserve any existing rights under the SNP Green Notes to any accrued interest or other amounts which have not been paid, (6) are assigned (or maintain) at least the same solicited credit ratings as were assigned to the SNP Green Notes immediately prior to such variation or substitution, and (7) shall not at such time be subject to a Disqualification Event or a Tax Event; and (8) be (i) listed and admitted to trading on AIAF or (ii) listed on a Recognised Stock Exchange, if the SNP Green Notes were listed immediately prior to such variation or substitution.

While Qualifying Notes must contain terms that are materially no less favourable to Holders as the original terms of the SNP Green Notes, there can be no assurance that the terms of any Qualifying Notes will be viewed by the market as equally or more favourable, or that the Qualifying Notes will trade at prices that are equal to or higher than the prices at which the SNP Green Notes would have traded on the basis of their original terms.

Moreover, prior to the making of any such substitution or variation, the Bank, shall not be obliged to have regard to the tax position of individual Holders or to the tax consequences of any such substitution or variation for individual Holders. No Holder shall be entitled to claim, whether from the Bank, or any other person, any

indemnification or payment in respect of any tax consequence of any such substitution or variation upon individual Holders of SNP Green Notes.

***Limitation on gross-up obligation under the SNP Green Notes***

The Bank's obligation under Condition 7 to pay additional amounts in the event of any withholding or deduction in respect of taxes on any payments of interest and any other amounts does not apply to any repayment of principal. Accordingly, if any such withholding or deduction were to apply, holders of the SNP Green Notes may receive less than the full amount of principal due under the SNP Green Notes upon redemption, and the market value of the SNP Green Notes may be adversely affected.

***Risks relating to the 1-year Mid-Swap Rate and other "benchmarks"***

The determination of the interest in respect of the SNP Green Notes after the Reset Date is dependent upon the 1-year Mid-Swap Rate and the EURIBOR 6-month as determined at the relevant time (as specified in the Conditions). Certain interest rates and indices which are deemed to be "benchmarks" (including the 1-year Mid-Swap Rate and the EURIBOR) have been the subject of recent national and international regulatory guidance and proposals for reform including the recent approval and entry into force of the Benchmark Regulation, that could have a material impact on the SNP Green Notes, its value and return, in particular, if the methodology or other terms of any "benchmarks" are changed in order to comply with new requirements. Such changes or the general increased regulatory scrutiny of "benchmarks" could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant "benchmark" and increase the costs and risks of administering or otherwise participating in the setting of a "benchmark" and complying with any such regulations or requirements.

Such factors may have the following effects on certain "benchmarks": (i) discourage market participants from continuing to administer or contribute to the "benchmark"; (ii) trigger changes in the rules or methodologies used in the "benchmark"; (iii) or lead to the disappearance of the "benchmark".

The Conditions provide for certain fallback arrangements in the event that the Original Reference Rate ceases to exist or be published or another Benchmark Event (as defined in Conditions) occurs. See Condition 3.7. These fallback arrangements include the possibility that the Reset Rate of Interest could be determined without any separate consent or approval of the Holders by reference to a Successor Rate or an Alternative Rate by (i) an Independent Financial Adviser, or (ii) if an Independent Financial Adviser cannot be appointed or the Independent Financial Adviser appointed fails to determine a Successor Rate or an Alternative Rate prior to the Reset Determination Date, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed). In addition, an Adjustment Spread may be applied to such Successor Rate or Alternative Rate, together with the making of certain Benchmark Amendments to the Conditions. In certain circumstances, the Adjustment Spread is the spread, quantum, formula or methodology which the Bank determines to be appropriate to reduce or eliminate to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to the Holders as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be). However, such Adjustment Spread may not be effective to reduce or eliminate economic prejudice to Holders. The use of a Successor Rate or an Alternative Rate may result in a lower Reset Rate of Interest than the payments that could have been made on the SNP Green Notes if the Original Reference Rate continued to be available in its current form.

Where the Bank is unable to appoint an Independent Financial Adviser in a timely manner, or the Independent Financial Adviser or the Bank (as applicable) is unable to determine a Successor Rate or Alternative Rate before the Reset Determination Date, the 1-year Swap-Rate applicable to the Interest Period during the Reset Period will be equal to the last available 1-year Mid-Swap Rate on the Screen Page.

Any of the foregoing could have an adverse effect on the value or liquidity of, and return on, the SNP Green Notes. Investors should consider these matters when making their investment decision with respect to the SNP Green Notes.

***Credit ratings may not reflect all risks associated with an investment in the SNP Green Notes***

The SNP Green Notes are rated "Baa3" by Moody's, "BBB-" by S&P and "BBB+" by Fitch and they may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other

factors that may affect the value of the SNP Green Notes. Potential investors should not rely on any rating of the SNP Green Notes and should determine the suitability of the investment in light of their own circumstances

Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the SNP Green Notes does not address the likelihood that interest (including any additional amounts payable in accordance with Condition 7) or any other payments in respect of the SNP Green Notes will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

Any change in or withdrawal of the credit ratings assigned to the SNP Green Notes may affect the market value of the SNP Green Notes. Such change may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with similar structures to the SNP Green Notes, as opposed to any revaluation of the Bank's financial strength or other factors such as conditions affecting the financial services industry generally.

In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the EEA and registered under the EU CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the EEA but is endorsed by a credit rating agency established in the EEA and registered under the EU CRA Regulation or (2) the rating is provided by a credit rating agency not established in the EEA which is certified under the EU CRA Regulation. Similarly, in general, UK regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the UK and registered under the UK CRA Regulation unless (1) the rating is provided by a credit rating agency not established in the UK but is endorsed by a credit rating agency established in the UK and registered under the UK CRA Regulation or (2) the rating is provided by a credit rating agency not established in the UK which is certified under the UK CRA Regulation. The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain credit rating information is set out on the cover of this Prospectus.

In addition to ratings assigned by any hired rating agencies, rating agencies not hired by the Bank to rate the SNP Green Notes may assign unsolicited ratings. If any non-hired rating agency assigns an unsolicited rating to the SNP Green Notes, there can be no assurance that such rating will not differ from, or be lower than, the ratings provided by a hired rating agency. The decision to decline a rating assigned by a hired rating agency, the delayed publication of such rating or the assignment of a non-solicited rating by a rating agency not hired by the Bank could adversely affect the market value and liquidity of the SNP Green Notes.



## INFORMATION INCORPORATED BY REFERENCE

The information set out below shall be deemed to be incorporated in, and to form part of, this **Prospectus provided however that** any statement contained in any document incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained herein modifies or supersedes such statement.

- (i) Kutxabank Group's unaudited condensed consolidated interim financial statements and the directors' report, together with the limited review report of PricewaterhouseCoopers Auditores, S.L. as at 30 June 2021 and for the six months then ended, available at Kutxabank's website ([https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22CNMV\\_EEFF\\_Semestral\\_Junio\\_2021.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312320868347&ssbinary=true](https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22CNMV_EEFF_Semestral_Junio_2021.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312320868347&ssbinary=true)) (together, the **"2021 Consolidated First Semester Interim Financial Statements"**).
- (ii) Kutxabank Group's audited consolidated financial statements and the directors' report, together with the audit report of PricewaterhouseCoopers Auditores, S.L. as at and for the year ended 31 December 2020, prepared in accordance with IFRS-EU, available at Kutxabank's website (<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Kutxabank+cuentas+anuales+ejercicio+2020.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312311589504&ssbinary=true>) (together, the **"2020 Consolidated Financial Statements"**).
- (iii) Kutxabank Group's audited consolidated financial statements and the directors' report, together with the audit report of Deloitte, S.L. as at and for the year ended 31 December 2019, prepared in accordance with IFRS-EU, available at Kutxabank's website (<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22CCAA+2019+++Informe+sostenibilidad.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312288674387&ssbinary=true>) (together, the **"2019 Consolidated Financial Statements"**).

Each document incorporated herein by reference is only as at the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of Kutxabank or the Kutxabank Group, as the case may be, since the date thereof or that the information contained therein is current as at any time subsequent to its date.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

### English translations

English translations of the 2021 Consolidated First Semester Interim Financial Statements, the 2020 Consolidated Financial Statements and the 2019 Consolidated Financial Statements, are available at Kutxabank's website:

- (i) 2021 Consolidated First Semester Interim Financial Statements: [https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22CNMV\\_EEFF\\_Semestral\\_Junio\\_2021.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312320868347&ssbinary=true](https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22CNMV_EEFF_Semestral_Junio_2021.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312320868347&ssbinary=true)

[2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Kutxabank+Semestral+2021+Ingles.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312320868331&ssbinary=true](https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Kutxabank+Semestral+2021+Ingles.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312320868331&ssbinary=true),

- (ii) 2020 Consolidated Financial Statements:  
<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22Kutxabank+Semestral+2021+Ingles.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312318135624&ssbinary=true>,
- (iii) 2019 Consolidated Financial Statements:  
<https://www.kutxabank.com/cs/Satellite?blobcol=urldata&blobheader=application%2Fpdf&blobheadername1=Expires&blobheadername2=content-type&blobheadername3=MDT-Type&blobheadername4=Content-disposition&blobheadervalue1=Thu%2C+10+Dec+2020+16%3A00%3A00+GMT&blobheadervalue2=application%2Fpdf&blobheadervalue3=abinary%3Bcharset%3DUTF-8&blobheadervalue4=inline%3B+filename%3D%22CCAA+Kutxabank+Consolidadas+2019+%28versi%C3%B3n+ingles%29.pdf%22&blobkey=id&blobtable=MungoBlobs&blobwhere=1312290403201&ssbinary=true>.

The referred English translations are for information purposes only. In the event of a discrepancy, the original Spanish-language versions prevail.

The information contained in the website referred to in this section has not been scrutinised or approved by the *Comisión Nacional de Mercado de Valores* (the "CNMV").

## TERMS AND CONDITIONS OF THE SNP GREEN NOTES

The following is the text of the Terms and Conditions of the SNP Green Notes:

The SNP Green Notes (as defined below) have been issued by Kutxabank, S.A. (the "**Bank**") by virtue of the resolutions passed by (i) the general shareholders' meeting of the Bank on 1 October 2021; (ii) the Board of Directors of the Bank dated 29 July 2021, and (iii) the Executive Committee of the Bank dated on 15 July 2021.

### 1. Form, Denomination and Title

1.1 The SNP Green Notes have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate nominal amount of € 500,000,000 and in the denomination of €100,000 (as reduced from time to time by any write down or cancellation, as the case may be, the "**principal amount**" of a SNP Green Note).

1.2 The SNP Green Notes have been registered with Iberclear as managing entity of the central registry of the Spanish settlement system (the "**Spanish Central Registry**"). Holders of a beneficial interest in the SNP Green Notes who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the SNP Green Notes through bridge accounts maintained by each of Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, S.A. ("**Clearstream Luxembourg**") with Iberclear.

Iberclear manages the settlement of the SNP Green Notes, notwithstanding the Bank's commitment to assist, when appropriate, on the clearing and settlement of the SNP Green Notes through Euroclear and Clearstream Luxembourg.

The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the SNP Green Notes: ES0243307016. The Common Code for this issue is 239828558.

1.3 Title to the SNP Green Notes is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the SNP Green Notes shall be (except as otherwise required by Spanish law) considered the holder of the principal amount of the SNP Green Notes recorded therein. In these Conditions, the "**Holder**" means the person in whose name such SNP Green Notes are for the time being registered in the Spanish Central Registry managed by Iberclear or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first named thereof) and Noteholder shall be construed accordingly.

One or more certificates (each a "**Certificate**") attesting to the relevant Holder's holding of SNP Green Notes in the relevant registry will be delivered by the relevant Iberclear Member or by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

The SNP Green Notes have been issued without any restrictions on their transferability. Consequently, the SNP Green Notes may be transferred and title to the SNP Green Notes may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant SNP Green Notes for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

### 2. Status of SNP Green Notes

The payment obligations of the Bank under the SNP Green Notes on account of principal constitute direct, unconditional, unsubordinated and unsecured non preferred ordinary claims ("*créditos ordinarios no preferentes*") of the Bank and, in accordance with Additional Provision 14.2 of Law 11/2015, but subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), upon the insolvency of the Bank (and unless they qualify as subordinated claims ("*créditos*"))

*subordinados*") pursuant to Article 281.1.1º or 281.1.3º to 281.1.7º of the Insolvency Law or equivalent legal provision which replaces it in the future), will rank:

- (a) *pari passu* among themselves and with any Senior Non Preferred Liabilities;
- (b) junior to any Senior Preferred Liabilities; and
- (c) senior to any subordinated claims ("*créditos subordinados*") against the Bank in accordance with Article 281 of the Insolvency Law (or equivalent legal provision which replaces it in the future).

According to Additional Provision 14.2 of Law 11/2015 upon the insolvency of the Bank, the SNP Green Notes will rank below any Senior Preferred Liabilities of the Bank, and accordingly, claims in respect of the SNP Green Notes shall be paid after payment of any such other Senior Preferred Liabilities of the Bank.

*Therefore, the SNP Green Notes will be effectively subordinated to claims against the insolvency estate ("*créditos contra la masa*"), claims with privilege ("*créditos privilegiados*") and any other ordinary claims ("*créditos ordinarios*") against the Bank, other than non preferred ordinary claims ("*créditos ordinarios no preferentes*"), including without limitation, the Bank's Senior Preferred Liabilities. The Bank's Senior Preferred Liabilities would include as of the date hereof, among other liabilities, its deposit obligations (other than the deposits obligations qualifying as preferred liabilities ("*créditos con privilegio general*") under Additional Provision 14.1 of Law 11/2015), its obligations in respect of derivatives and other financial contracts and its unsecured and unsubordinated debt securities other than Senior Non Preferred Liabilities.*

*Claims of Holders in respect of interest accrued but unpaid as at the commencement of any insolvency procedure in respect of the Bank shall constitute subordinated claims ("*créditos subordinados*") against the Bank ranking in accordance with the provisions of Article 281.1.3º of the Insolvency Law and accrual of interest shall be suspended from the date of the declaration of insolvency of the Bank.*

The payment obligations of the Issuer under the SNP Green Notes are subject to, and may be limited by, the exercise of any power pursuant to Law 11/2015, Royal Decree 1012/2015, the SRM Regulation or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain. The SNP Green Notes are not subject to any set-off or netting arrangements that would undermine their capacity to absorb losses in resolution. The SNP Green Notes are neither secured, nor subject to a guarantee or any other arrangement that enhances the seniority of the claims under the SNP Green Notes.

### **3. Interest Payments**

#### **3.1 Interest Rate**

The SNP Green Notes bear interest at the applicable Interest Rate from (and including) the Issue Date in accordance with the provisions of this Condition 3.

Interest shall be payable on the SNP Green Notes annually in arrear on each Interest Payment Date as provided in this Condition 3.

Where it is necessary to compute an amount of interest in respect of any SNP Green Note for a period which is less than a complete Interest Period, the relevant day-count fraction shall be determined on the basis of the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by the actual number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last).

#### **3.2 Interest Accrual**

The SNP Green Notes will cease to bear interest from (and including) the due date for redemption thereof pursuant to Condition 4.1, 4.3, 4.4 or 4.5 or the date of cancellation thereof pursuant to Condition 4.8, as the case may be, unless payment of all amounts due in respect of such SNP Green Note (if any) is not properly and duly made, in which event interest shall continue to accrue on the SNP Green Notes, both before and after judgment, and shall be payable, as provided in these Conditions up to (but excluding) the Relevant Date. Interest in respect of any SNP Green Note for any period shall be equal to the product of the outstanding principal amount of the SNP Green Note, the Interest Rate and the day-count fraction as

described in Condition 3.1 for the relevant period, rounding the resultant figure to the nearest cent (half a cent being rounded upwards).

### 3.3 Initial Fixed Interest Rate

During the Initial Fixed Rate Interest Period, the SNP Green Notes bear interest at the rate of 0.5% per annum (the "**Initial Fixed Interest Rate**"). The amount of interest payable on each Interest Payment Date during the Initial Fixed Rate Interest Period shall be €500 in respect of each SNP Green Note of €100,000 denomination.

### 3.4 Reset Rate of Interest

The Interest Rate will be reset (the "**Reset Rate of Interest**") in accordance with this Condition 3 on the Reset Date. The Reset Rate of Interest will be determined by the Bank on the Reset Determination Date as the sum of the 1-year Mid-Swap Rate and the Margin. From (and including) the Reset Date the SNP Green Notes bear interest at the Reset Rate of Interest.

### 3.5 Determination of Reset Rate of Interest

The Bank will, as soon as practicable after 11:00 a.m. (Central European time) on the Reset Determination Date, determine the Reset Rate of Interest in respect of the Reset Period.

### 3.6 Publication of Reset Rate of Interest

The Bank shall cause notice of the Reset Rate of Interest determined in accordance with this Condition 3 in respect of the Reset Period to be given to Holders in accordance with Condition 10 as soon as practicable after its determination but in any event not later than the fourth Business Day thereafter.

### 3.7 Benchmark discontinuation

#### (a) Independent Financial Adviser

If at the time of determination of the Reset Rate of Interest, a Benchmark Event occurs or has occurred and is continuing, then the Bank shall use its reasonable endeavours to appoint an Independent Financial Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which an Alternative Rate (in accordance with Condition 3.7(b)) and, in either case, an Adjustment Spread if any (in accordance with Condition 3.7(c)) and any Benchmark Amendments (in accordance with Condition 3.7(d)).

If the Bank (i) is unable to appoint an Independent Financial Adviser; or, (ii) the Independent Financial Adviser appointed by it fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 3.7(a) prior to the Reset Determination Date, the Bank (acting in good faith and in a commercially reasonable manner and following consultation with the Independent Financial Adviser in the event one has been appointed) may determine a Successor Rate or, failing which, an Alternative Rate.

If the Bank is unable or unwilling to determine a Successor Rate or an Alternative Rate prior to the Reset Determination Date, the Reset Rate of Interest shall be determined using the 1-year Mid-Swap Rate last displayed on the relevant Screen Page prior to the Reset Determination Date.

#### (b) Successor Rate or Alternative Rate

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines that:

- (i) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the Original Reference Rate to determine the Reset Rate of Interest (or the relevant component part thereof) (subject to the operation of this Condition 3.7); or

- (ii) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 3.7(c)) subsequently be used in place of the 1-year Mid-Swap Rate to determine the Reset Rate of Interest (or the relevant component part thereof) (subject to the operation of this Condition 3.7).

(c) Adjustment Spread

If the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be) and (ii) the quantum of, or a formula or methodology for determining, such Adjustment Spread, then such Adjustment Spread shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(d) Benchmark Amendments

If any Successor Rate, Alternative Rate and/or Adjustment Spread is determined in accordance with this Condition 3.7 and the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines (i) that amendments to the day count fraction, the business days convention, the Reset Determination Date, the floating leg of the 1-year Mid-Swap Rate, the Reset Rate of Interest, and the method for determining the fallback rate in relation to the SNP Green Notes are necessary in order to follow market practice in relation to the Successor Rate or Alternative Rate and/or Adjustment Spread (such amendments, the "**Benchmark Amendments**") and (ii) the terms of the Benchmark Amendments, then the Bank shall, subject to giving notice thereof in accordance with Condition 3.7(e), without any requirement for consent or approval of the Holders, vary these Conditions to give effect to such Benchmark Amendments with the date specified in such notice.

In connection with any such variation in accordance with this Condition 3.7(d), the Bank shall comply with the rules of any stock exchange on which the SNP Green Notes are for the time being listed or admitted to trading.

(e) Notices

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 3.7 will be notified promptly by the Bank to the Holders in accordance with Condition 10. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any, and will be binding on the Bank and the Holders.

(f) Survival of the Original Reference Rate

Without prejudice to the obligations of the Bank under this Condition 3.7, the Original Reference Rate and the fallback provisions otherwise provided for in these Conditions will continue to apply unless and until a Benchmark Event has occurred.

Notwithstanding any other provision of this Condition 3.7, no Successor Rate, Alternative Rate, Adjustment Spread or Benchmark Amendments (as applicable) will be adopted, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to result in the partial or full exclusion of the SNP Green Notes from treatment as MREL-Eligible Senior Non Preferred Instruments of the Group.

#### 4. Redemption, Substitution, Variation and Purchase

##### 4.1 Final Redemption

Unless previously redeemed or purchased and cancelled or substituted and cancelled pursuant to this Condition 4, the SNP Green Notes will be redeemed at their principal amount, together with accrued and unpaid interest, on 14 October 2027 (the "**Maturity Date**"). The SNP Green Notes may not be redeemed at the option of the Bank other than in accordance with this Condition 4.

#### 4.2 Conditions to Redemption, Substitution, Variation and Purchase prior to Final Redemption

The Bank may, subject to compliance with the Applicable Banking Regulations then in force and subject to the prior Supervisory Permission, when applicable, redeem or purchase the SNP Green Notes or substitute or vary the terms of the SNP Green Notes in each case in accordance with Conditions 4.3, 4.4, 4.5, 4.6 or 4.7.

Prior to the publication of any notice of substitution, variation or redemption pursuant to Conditions 4.4, 4.5 and 4.6, the Bank (i) shall make available to the Holders at its registered office a certificate signed by two of its duly Authorised Signatories stating that the relevant requirement or circumstance giving rise to the right to redeem, substitute or, as appropriate, vary is satisfied and (ii) in the case of a redemption pursuant to Condition 4.4 only, use its best efforts to make available to the Holders at its registered office an opinion from a nationally recognised law firm or other tax adviser in the Kingdom of Spain experienced in such matters to the effect that the relevant requirement or circumstance referred to in the definition of "Tax Event" prevails.

#### 4.3 Bank's call

All, but not some only, of the SNP Green Notes may be redeemed at the option of the Bank on 14 October 2026 at their principal amount, together with any accrued and unpaid interest thereon, subject to Condition 4.2 and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable).

#### 4.4 Redemption Due to Tax Event

If a Tax Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the SNP Green Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Bank (i) would be obliged to pay additional amounts pursuant to Condition 7 below, or (ii) would no longer be entitled to claim a deduction or the amount of such deduction would be materially reduced, in each case, were a payment in respect of the SNP Green Notes then due or (iii) would be obliged to apply the applicable tax treatment. Upon the expiry of such notice, the Bank shall redeem the SNP Green Notes.

#### 4.5 Redemption Due to Disqualification Event

If a Disqualification Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 10 (which notice shall be irrevocable and shall specify the date for redemption), elect to redeem in accordance with these Conditions at any time all, but not some only, of the SNP Green Notes at their principal amount, together with any accrued and unpaid interest thereon to (but excluding) the date fixed for redemption. Upon the expiry of such notice, the Bank shall redeem the SNP Green Notes.

#### 4.6 Substitution or Variation

If a Tax Event or a Disqualification Event has occurred and is continuing, then the Bank may, subject to Condition 4.2 and having given not less than 15 nor more than 60 days' notice to the Holders in accordance with Condition 10 but without any requirement for the consent or approval of the Holders, at any time either substitute all (but not some only) of the SNP Green Notes for, or vary the terms of all (but not some only) of the SNP Green Notes so that they remain or, as appropriate, become, Qualifying Notes. Upon the expiry of such notice, the Bank shall either vary the terms of or substitute the SNP Green Notes in accordance with this Condition 4.6, as the case may be.

Any notice provided in accordance with this Condition 4.6 shall be irrevocable, specify the relevant details of the manner in which such substitution or, as the case may be, variation shall take effect (including the date for substitution or variation) and where the Holders can inspect or obtain copies of the new conditions of the SNP Green Notes. Such substitution or, as the case may be, variation will be effected without any cost or charge to the Holders.

Holder shall, by virtue of subscribing and/or purchasing and holding any SNP Green Notes, be deemed to accept the substitution or variation of the terms of such SNP Green Notes and to grant full power and authority to the Bank to take any action and/or to execute and deliver any document in the name and/or on behalf of the Holders which is necessary or convenient to complete the substitution or variation of the terms of the SNP Green Notes.

In connection with any substitution or variation in accordance with this Condition 4.6, the Bank shall comply with the rules of any stock exchange on which the SNP Green Notes are for the time being listed or admitted to trading.

#### 4.7 Purchases

The Bank, any of its Subsidiaries or any third party designated by it, may, subject to Condition 4.2, purchase (or otherwise acquire), or procure others to purchase (or otherwise acquire) beneficially for their account, SNP Green Notes in any manner and at any price. The SNP Green Notes so purchased (or acquired), while held by or on behalf of the Bank, any of its subsidiaries or any third party designated by it, shall not entitle the Holder to vote at any meetings of the Holders and shall not be deemed to be outstanding for the purposes of calculating quorums at meetings of the Holders.

#### 4.8 Cancellation

All SNP Green Notes substituted by the Bank pursuant to Condition 4.6 will forthwith be cancelled. All SNP Green Notes purchased by or on behalf of the Bank may, subject to obtaining any Supervisory Permission therefore if required under prevailing Applicable Banking Regulations, be held, resold or, at the option of the Bank, cancelled forthwith. Any SNP Green Notes so cancelled may not be resold and the obligations of the Bank in respect of any such SNP Green Notes shall be discharged.

### 5. **Payments**

#### 5.1 Method of Payment

Payments of principal and interest in respect of the SNP Green Notes will be made in euro by transfer to the registered euro account of the relevant Holder maintained by or on behalf of it with a bank that processes payments in a city in which banks have access to the TARGET System, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the date on which the payment of principal or interest, as the case may be, falls due. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant SNP Green Notes. The Bank will have no responsibility or liability for the records relating to payments made in respect of the SNP Green Notes.

#### 5.2 Payments Subject to Laws

Save as provided in Condition 7, payments will be subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment or other laws or regulations to which the Bank agrees to be subject and the Bank will not be liable for any taxes or duties of whatever nature imposed or levied by such laws, regulations, directives or agreements. No commissions or expenses shall be charged to the Holders in respect of such payments.

#### 5.3 Delay in Payment

Holder shall not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a SNP Green Note if the due date is not a Business Day.

#### 5.4 Non-Business Days

If any date for payment in respect of any SNP Green Note is not a Business Day, the Holder shall not be entitled to payment until the next following Business Day nor to any interest or other sum in respect of such postponed payment.



## 6. Default

If an order is made by any competent court commencing insolvency proceedings against the Bank or if any order is made by any competent court or resolution passed for the liquidation or winding-up of the Bank (except in the case of a reconstruction, merger or amalgamation (i) which has been approved by an Extraordinary Resolution at a meeting of Holders; or (ii) where the entity resulting from any such reconstruction, merger or amalgamation is (A) a financial institution (*entidad de crédito*) under article 1 of Law 10/2014 and (B) has a rating for long-term senior debt assigned by a Rating Agency equivalent to or higher than the rating for long-term senior debt of the Bank immediately prior to such reconstruction, merger or amalgamation) and such order is continuing, then any SNP Green Note may, unless there has been an Extraordinary Resolution to the contrary at a meeting of Holders, by written notice addressed by the Holder thereof to the Bank and delivered to the Bank, be declared immediately due and payable, whereupon the principal amount of such SNP Green Notes together with any accrued and unpaid interest thereon to the date of payment shall, when permitted by applicable Spanish law, become immediately due and payable without further action or formality.

If any of the above events occurs, claims of Holders in respect of the SNP Green Notes shall rank as set out under Condition 2.

Save as provided above, there are no events of default under the SNP Green Notes which could lead to an acceleration of the SNP Green Notes. Holders shall, by virtue of subscribing and/or purchasing and holding any SNP Green Notes, be deemed to accept that except as contemplated above, they will not be entitled to declare any SNP Green Notes due and payable, it being therefore understood that the non performance by the Bank of its obligations under the SNP Green Notes will not constitute an event of default and, therefore, Holders will not have the right to accelerate their SNP Green Notes and in the event that any payment on the SNP Green Notes is not made when due, each Holder will have a claim only for amounts then due and payable on their SNP Green Notes. Similarly, no event of default shall occur or other claim against the Issuer or right of a Holder of, or obligation or liability of the Issuer in respect of the SNP Green Notes arise as a result of an amount equivalent to the net proceeds not being used in any particular manner or any report, assessment, opinion or certification not being obtained or published, or any other step or action not being taken in connection with any purported use of proceeds.

## 7. Taxation

All payments of interest and any other amounts payable in respect of the SNP Green Notes by or on behalf of the Bank will be made free and clear of, and without withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain or any political subdivision thereof or any authority or agency therein or thereof having power to tax in respect of payments of interest and any other amounts (excluding, for the avoidance of doubt, any repayment of principal), the Bank shall pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such payments of interest and any other amounts had no such withholding or deduction been required.

The Bank shall not be required to pay any additional amounts in relation to any payment in respect of SNP Green Notes:

- (a) presented for payment by or on behalf of a Holder who is liable for such taxes, duties, assessments or governmental charges in respect of the SNP Green Notes by reason of his having some connection with the Kingdom of Spain other than:
  - (i) the mere holding of SNP Green Notes; or
  - (ii) the receipt of any payment in respect of SNP Green Notes;
- (b) where taxes are imposed by the Kingdom of Spain (or any political subdivision thereof or any authority or agency therein or thereof having power to tax) that are (i) any estate, inheritance, gift, sales, transfer, personal property or similar taxes or (ii) solely due to the appointment by any Holder, or any person through which such Holder holds such SNP Green Note, of a custodian,

collection agent, person or entity acting on its behalf or similar person in relation to such SNP Green Note; or

- (c) to, or to a third party on behalf of, a Holder who is an individual resident for tax purposes in the Kingdom of Spain (or any political subdivision or any authority thereof or therein having power to tax); or
- (d) to, or to a third party on behalf of, a Holder in respect of whose SNP Green Notes the Bank (or an agent acting on behalf of the Bank) has not received such information it may be required in order to comply with Spanish tax reporting requirements, as may be necessary to allow payments on such SNP Green Notes to be made free and clear of withholding tax or deduction on account of any taxes imposed by the Kingdom of Spain, including when the Bank (or an agent acting on behalf of the Bank) does not receive a duly executed and completed certificate, pursuant to Law 10/2014 and Royal Decree 1065/2007 of 27 July, as amended by Royal Decree 1145/2011 of 29 July, and any implementing legislation or regulation.

Notwithstanding any other provision of these Conditions, any amounts to be paid by the Bank on the SNP Green Notes will be paid net of any deduction or withholding imposed or required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), or otherwise imposed pursuant to Sections 1471 to 1474 of the Code and any regulations or agreements thereunder or official interpretations thereof ("**FATCA**") or any law implementing an intergovernmental approach to FATCA.

See "*Taxation*" for a fuller description of certain tax considerations relating to the SNP Green Notes.

## **8. Prescription**

Claims against the Bank for payment in respect of the SNP Green Notes shall be prescribed and become void unless made within five years after the date on which the payment in question becomes due and payable.

## **9. Meetings of Holders, Modification and Substitution**

### 9.1 Convening meetings

The Bank may, at any time, and shall, if required in writing by Holders holding not less than 10 per cent. in principal amount of the SNP Green Notes for the time being outstanding, convene a meeting of the Holders and if the Bank fails for a period of seven days to convene the meeting, the meeting may be convened by the relevant Holders.

### 9.2 Procedures for convening meetings

- (a) At least 21 clear days' notice specifying the place (which need not be a physical place and instead may be by way of conference call, including by use of a videoconference platform), day and hour of the meeting shall be given to the Holders in the manner provided in Condition 10. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either:
  - (i) specify the terms of the Extraordinary Resolution to be proposed; or
  - (ii) inform Holders that the terms of the Extraordinary Resolution are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii), such resolution is so available in its final form with effect on and from the date on which the notice convening such meeting is given as aforesaid.

The notice shall:

- (i) include statements as to the manner in which Holders are entitled to attend and vote at the meeting; or
- (ii) inform Holders that details of the voting arrangements are available free of charge from the Bank or an agent thereof, provided that, in the case of this (ii) the final form of such

details are available with effect on and from the date on which the notice convening such meeting is given as aforesaid.

A copy of the notice shall be sent by post to the Bank (unless the meeting is convened by the Bank).

- (b) Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but with an at least 10 clear days' notice (instead of an at least 21 clear days' notice). The notice shall state the relevant quorum. Subject to the foregoing it shall not be necessary to give any notice of an adjourned meeting.

### 9.3 Chairperson

The person (who may but need not be a Holder) nominated in writing by the Bank (the "**Chairperson**") shall be entitled to take the chair at each meeting but if no nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders present shall choose one of their number to be Chairperson, failing which the Bank may appoint a Chairperson. The Chairperson of an adjourned meeting need not be the same person as was Chairperson of the meeting from which the adjournment took place.

### 9.4 Quorums

#### (a) Regular Quorum

At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5 per cent. in principal amount of the SNP Green Notes for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business, and no business (other than the choosing of a Chairperson in accordance with Condition 9.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business.

#### (b) Extraordinary Quorum

The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50 per cent. in principal amount of the SNP Green Notes for the time being outstanding.

#### (c) Enhanced Quorum

At any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

- (i) a reduction or cancellation of the principal amount of the SNP Green Notes for the time being outstanding; or
- (ii) a reduction of the amount payable or modification of the Interest Payment Dates; or
- (iii) a modification of the currency in which payments under the SNP Green Notes are to be made; or
- (iv) a modification of the majority required to pass an Extraordinary Resolution; or
- (v) the sanctioning of any scheme or proposal described in Condition 9.8(b)(vi) below; or
- (vi) alteration of this proviso or the proviso to Condition 9.5(a) below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in principal amount of the SNP Green Notes for the time being outstanding.

## 9.5 Adjourned Meeting

- (a) If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairperson may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 9.1, be dissolved. In any other case it shall be adjourned to the same day of the next week (or if that day is not a Business Day the next following Business Day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairperson and approved by the Bank). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairperson may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairperson may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairperson (either at or after the adjourned meeting) and approved by the Bank, and the provisions of this sentence shall apply to all further adjourned meetings.
- (b) At any adjourned meeting one or more Eligible Persons present (whatever the principal amount of the SNP Green Notes for the time being outstanding so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present, provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 9.4(c) the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in principal amount of the SNP Green Notes for the time being outstanding.

## 9.6 Right to attend and vote

- (a) The provisions governing the manner in which Holders may attend and vote at a meeting of the holders of SNP Green Notes must be notified to Holders in accordance with Condition 10 and/or at the time of service of any notice convening a meeting.
- (b) Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the definition of "outstanding", no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- (c) Subject as provided in Condition 9.6(b), at any meeting:
- (d) on a show of hands every Eligible Person present shall have one vote; and
- (e) on a poll every Eligible Person present shall have one vote in respect of each SNP Green Note.

## 9.7 Holding of meetings

- (a) Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairperson shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- (b) At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairperson or the Bank or by any Eligible Person present (whatever the principal amount of the SNP Green Notes held by him), a declaration by the Chairperson that a resolution has been carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.

- (c) Subject to Condition 9.7(e), if at any meeting a poll is demanded, it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as the Chairperson may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.
- (d) The Chairperson may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business, which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- (e) Any poll demanded at any meeting on the election of a Chairperson or on any question of adjournment shall be taken at the meeting without adjournment.

#### 9.8 Approval of the resolutions

- (a) Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 10 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- (b) The expression "**Extraordinary Resolution**" when used in this Condition 9 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9 by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll.

A meeting of the Holders shall in addition to the powers set out above have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to the quorum contained in Conditions 9.4(b) and 9.4(c)), namely:

- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
  - (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under these Conditions or the SNP Green Notes or otherwise;
  - (iii) power to agree to any modification of the provisions contained in these Conditions or the SNP Green Notes which is proposed by the Bank;
  - (iv) power to give any authority or approval which under the provisions of this Condition 9 or the SNP Green Notes is required to be given by Extraordinary Resolution;
  - (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;
  - (vi) power to agree with the Bank or any substitute, the substitution of any entity in place of the Bank (or any substitute) as the principal debtor in respect of the SNP Green Notes;
- (c) Subject to Condition 9.8(a), to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 9, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.

## 9.9 Miscellaneous

- (a) Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairperson of the meeting at which any resolution was passed or proceedings had transpired shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had transpired at the meeting to have been duly passed or had.
- (b) For the purposes of calculating a period of clear days, no account shall be taken of the day on which a period commences or the day on which a period ends.
- (c) Any modification or waiver of the Conditions in accordance with this Condition 9 will be effected in accordance with the Applicable Banking Regulations and conditional upon any prior approval from the Competent Authority and/or the Relevant Resolution Authority, to the extent required thereunder.

## 10. Notices

The Bank shall ensure that all notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the SNP Green Notes are for the time being listed and/or admitted to trading.

So long as the SNP Green Notes are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public to the market through an announcement of inside information (*comunicación de información privilegiada*) or of other relevant information (*comunicación de otra información relevante*) to be filed with the CNMV and to be published at the CNMV's official website at [www.cnmv.es](http://www.cnmv.es) and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bank may approve.

In addition, so long as the SNP Green Notes are represented by book-entries in Iberclear, all notices to Holders shall be made through Iberclear for on transmission to their respective accountholders.

## 11. Further Issues

The Bank may from time to time without the consent of the Holders, but subject to any Supervisory Permission (if required), create and issue further securities either having the same conditions as the SNP Green Notes in all respects (or in all respects except for the first payment of interest on them) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the SNP Green Notes) or upon such terms as the Bank may determine at the time of their issue. References in these Conditions to the SNP Green Notes include (unless the context requires otherwise) any other securities issued pursuant to this Condition and forming a single series with the SNP Green Notes.

## 12. Governing Law and Jurisdiction

### 12.1 Governing Law

The SNP Green Notes and any non-contractual obligations arising out of or in connection with the SNP Green Notes shall be governed by, and construed in accordance with, Spanish law.

### 12.2 Jurisdiction

The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of the city of Madrid, Spain are to have jurisdiction to settle any disputes which may arise out of or in connection with the SNP Green Notes (including a dispute relating to any non-contractual obligations arising out of or in

connection with the SNP Green Notes) and that accordingly any suit, action or proceedings arising out of or in connection with the SNP Green Notes (together referred to as "**Proceedings**") may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of the city of Madrid, Spain. To the extent permitted by law, nothing contained in this Condition 12 shall limit any right to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

### **13. Waiver of Set-off**

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim, or liability the Bank has or may have or acquire against such Holder, directly or indirectly, howsoever arising (and, for the avoidance of doubt, including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any sort, whether or not relating to such SNP Green Note) and each Holder shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any of the amounts owing to any Holder by the Bank in respect of, or arising under or in connection with the SNP Green Notes is discharged by set-off, such Holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank and accordingly any such discharge shall be deemed not to have taken place.

For the avoidance of doubt, nothing in this Condition is intended to provide, or shall be construed as acknowledging, any right of deduction, set-off, netting, compensation, retention or counterclaim or that any such right is or would be available to any Holder of any SNP Green Note but for this Condition.

### **14. Loss absorption**

#### **14.1 Exercise of Loss Absorbing Power and Acknowledgment**

The obligations of the Bank under the SNP Green Notes are subject to, and may be limited, by the exercise of any Loss Absorbing Power by the Relevant Resolution Authority.

#### **14.2 Payment of Interest and Other Outstanding Amounts Due**

No repayment or payment of the Amounts Due will become due and payable or be paid after the exercise of the Loss Absorbing Power by the Relevant Resolution Authority if and to the extent such amounts have been reduced, converted, cancelled, amended or altered as a result of such exercise.

#### **14.3 Notice to Holders**

Upon the exercise of any Loss Absorbing Power by the Relevant Resolution Authority with respect to the SNP Green Notes, the Bank will make available a written notice to the Holders as soon as practicable regarding such exercise of the Loss Absorbing Power. No failure or delay by the Bank to deliver a notice to the Holders shall affect the validity or enforceability of the exercise of the Loss Absorbing Power.

#### **14.4 Proration**

If the Relevant Resolution Authority exercises the Loss Absorbing Power with respect to less than the total Amounts Due, any cancellation, write-off or conversion made in respect of the SNP Green Notes pursuant to the Loss Absorbing Power will be made on a pro-rata basis.

#### **14.5 No Event of Default**

None of a cancellation of the SNP Green Notes, a reduction in the Amount Due, the conversion thereof into another security or obligation of the Bank or another person, as a result of the exercise of the Loss Absorbing Power by the Relevant Resolution Authority with respect to the Bank or the exercise of the Loss Absorbing Power with respect to the SNP Green Notes will be an event of default or otherwise constitute non-performance of a contractual obligation.

## 15. Definitions

In these Conditions:

**"1-year Mid-Swap Rate"** means, in relation to the Reset Period:

- (a) the rate of the annual swap rate for euro swap transactions with a maturity of one year, expressed as a percentage, which appears on the relevant Screen Page under the heading "EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT" as at 11.00 am (CET) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the Reset Reference Bank Rate on the Reset Determination Date, unless a Benchmark Event has occurred, in which case the 1-year Mid-Swap Rate shall be determined pursuant to Condition 3.7;

**"1-year Mid-Swap Rate Quotations"** means the arithmetic mean of the bid and offered rates for the annual fixed leg (calculated on a 30/360-day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (a) has a term of five years commencing on the Reset Date; and
- (b) is in a Representative Amount,

where the floating leg (calculated on an Actual/360-day count basis) is equivalent to EURIBOR 6-month or, if not available, such other benchmark, rate and/or day count fraction as is in customary market usage in the markets for such euro interest rate swap transactions at the relevant time;

**"Adjustment Spread"** means either a spread (which may be positive or negative), or the formula or methodology for calculating a spread, in either case, which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is required to be applied to the relevant Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) (if no such recommendation has been made, or in the case of an Alternative Rate), the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines is customarily applied to the relevant Successor Rate or Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or
- (C) (if no such recommendation has been made) the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines, is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (D) (if the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines that no such industry standard is recognised or acknowledged) the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser in the event one has been appointed, as applicable, determines to be appropriate to reduce or eliminate, to the extent reasonably practicable in the circumstances, any economic prejudice or benefit (as the case may be) to Noteholders as a result of the replacement



of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be).

"**AIAF**" means the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija, S.A.*);

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Financial Adviser or the Bank, acting in good faith and in a reasonable commercial manner and following consultation with the Independent Financial Adviser, as applicable, determines in accordance with Condition 3.7(b) is customary in market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in euro;

"**Amounts Due**" means the principal amount of or outstanding amount, together with any accrued but unpaid interest, and additional amounts, if any, due on the SNP Green Notes under Condition 7 (*Taxation*). References to such amounts will include amounts that have become due and payable, but which have not been paid, prior to the exercise of the Loss Absorbing Power by the Relevant Resolution Authority.

"**Applicable Banking Regulations**" means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency including, in particular, those giving effect to the MREL or any equivalent or successor principles then applicable to the Bank and/or the Group, including, without limitation to the generality of the foregoing, CRD IV, the BRRD and those laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency including, in particular, those giving effect to the MREL or any equivalent or successor principles then applicable to the Bank and/or the Group, in each case to the extent then in effect (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group) (in all cases, as amended or replaced from time to time);

"**Authorised Signatory**" means any authorised officer of the Bank;

"**Bank**" means Kutxabank, S.A.;

"**Bank's Certificate**" means a certificate signed by two Authorised Signatories of the Bank stating that, in the opinion of the Bank, (i) the changes determined pursuant to a substitution or variation of the SNP Green Notes under Condition 4.6 will result in the Qualifying Notes having terms not materially less favourable to the Holders than the terms of the SNP Green Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Notes and these Conditions are only those strictly necessary to (a) in the case of a Disqualification Event, comply with the then current requirements for MREL-Eligible Senior Non Preferred Instruments in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

"**Benchmark Amendments**" has the meaning given to it in Condition 3.7(d);

"**Benchmark Event**" means:

- (A) the Original Reference Rate has ceased to exist or be published on the Screen Page as a result of such benchmark ceasing to be calculated for a period of at least five Business Days or administered; or
- (B) a public statement by the administrator of the Original Reference Rate that (in circumstances where no successor administrator has been or will be appointed that will continue publication of the Original Reference Rate) it has ceased publishing the Original Reference Rate permanently or indefinitely or that it will cease to do so by a specified future date (the "**Specified Future Date**"); or
- (C) a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been or will, by the Specified Future Date, be permanently or indefinitely discontinued (in circumstances where no successor administrator has been or will be appointed that will continue publication of the Original Reference Rate); or
- (D) a public statement by the supervisor of the administrator of the Original Reference Rate that means that the Original Reference Rate will, by the Specified Future Date, be prohibited from

being used or that its use will be subject to restrictions or adverse consequences, either generally or in respect of the SNP Green Notes; or

- (E) a public statement by the supervisor of the administrator of the Original Reference Rate (as applicable) that, in the view of such supervisor, the Original Reference Rate is or will, by the Specified Future Date, be no longer representative of an underlying market and such representativeness will not be restored (as determined by such supervisor); or
- (F) it has or will, by a specified date within the following six months, become unlawful for the Bank or any other party to calculate any payments due to be made to the Noteholders using the Original Reference Rate (including, without limitation, under the Benchmarks Regulation (EU) 2016/1011, if applicable).

Notwithstanding the sub-paragraphs above, where the Benchmark Event is a public statement within sub-paragraphs (B), (C), (D) or (E) above and the Specified Future Date in the public statement is more than six months after the date of that public statement, the Benchmark Event shall not be deemed occur until the date falling six months prior to such Specified Future Date.

"**BRRD**" means Directive 2014/59/EU of 15 May, establishing the framework for the recovery and resolution of credit institutions and investment firms, as amended or replaced from time to time, as implemented into Spanish law by Law 11/2015 and Royal Decree 1012/2015, as amended or replaced from time to time, and including any other relevant implementing regulatory provisions;

"**BRRD II**" means Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending Directive 2014/59/EU as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms and Directive 98/26/EC;

"**Business Day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks and foreign exchange markets are open for general business in Bilbao, Madrid and in London or, if on that day a payment is to be made, a day which is a TARGET Business Day also;

"**Certificate**" has the meaning given to it in Condition 1.3;

"**Chairperson**" has the meaning given to such term in Condition 9.3;

"**Clearstream Luxembourg**" has the meaning given to such term in Condition 1.2;

"**CNMV**" means the Spanish Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

"**Code**" has the meaning given to such term in Condition 7;

"**Competent Authority**" means the European Central Bank or the Bank of Spain, as applicable, or such other successor authority having primary bank supervisory authority with respect to prudential oversight and supervision in relation to the Bank and/or the Group, as applicable;

"**Conditions**" means these conditions of the SNP Green Notes, as amended from time to time;

"**CRD IV**" means any or any combination of the CRD IV Directive, the CRR, and any CRD IV Implementing Measures (in all cases, as amended or replaced from time to time);

"**CRD IV Directive**" means Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013, on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, as amended or replaced from time to time;

"**CRD IV Implementing Measures**" means any regulatory capital rules implementing the CRD IV Directive or the CRR which may from time to time be introduced, including, but not limited to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Competent Authority, the European Banking Authority or any other relevant authority, which are applicable to the Bank or the Group, as applicable, including, without limitation, Law 10/2014, as amended from time to time, Royal

Decree 84/2015, as amended from time to time, and any other regulation, circular or guidelines implementing CRD IV;

"**CRD V Directive**" means Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending Directive 2013/36/EU as regards exempted entities, financial holding companies, mixed financial holding companies, remuneration, supervisory measures and powers and capital conservation measures;

"**CRR**" means Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms, as amended or replaced from time to time;

"**CRR II**" means Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012;

"**Disqualification Event**" means, at any time on or after the Issue Date, that all or part of the outstanding nominal amount of the SNP Green Notes does not fully qualify as MREL-Eligible Senior Non Preferred Instruments of the Group, except where such non-qualification (i) is due solely to the remaining maturity of the relevant SNP Green Notes being less than any period prescribed for MREL- Eligible Senior Non Preferred Instruments by the Applicable Banking Regulations or (ii) is as a result of the relevant SNP Green Notes being bought back by or on behalf of the Bank or a buy back of the relevant SNP Green Notes which is funded by or on behalf of the Bank.

A Disqualification Event shall, without limitation, be deemed to include where any non-qualification of the SNP Green Notes as MREL-Eligible Senior Non Preferred Instruments arises as a result of (a) any legislation which gives effect to the EU Banking Reforms in the Kingdom of Spain differing in any respect from the form of the EU Banking Reforms (including if the EU Banking Reforms are not implemented in full in the Kingdom of Spain), or (b) the official interpretation or application of the EU Banking Reforms or the EU Banking Reforms as implemented in the Kingdom of Spain (including any interpretation or pronouncement by any relevant court, tribunal or authority) differing in any respect from the manner in which the EU Banking Reforms have been reflected in these Conditions;

"**€**" or "**euro**" means the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty of Rome establishing the European Communities as amended;

"**Eligible Liabilities**" means any liability which complies with the requirements set out in Applicable Banking Regulations to qualify as eligible liabilities for MREL purposes;

"**Eligible Persons**" means those Holders or persons (being duly appointed proxies or representatives of such Holders) that are entitled to attend and vote at a meeting of the Holders, for the purposes of which no person shall be entitled to vote at any such meeting in respect of SNP Green Notes held by or for the benefit, or on behalf, of the Bank or any of its Subsidiaries;

"**EU Banking Reforms**" means the CRD V Directive, BRRD II, CRR II and the SRM Regulation II;

"**EURIBOR**" means the interest rate benchmark known as the Euro zone interbank offered rate which is calculated and published by a designated distributor (currently Thomson Reuters) in accordance with the requirements from time to time of the European Money Markets Institute (or any person which takes over administration of that rate);

"**EURIBOR 6-month**" means:

- (a) the rate for deposits in euro for a six-month period which appears on the relevant Screen Page as at 11.00 am (CET) on the Reset Determination Date for the Reset Period; or
- (b) if such rate does not appear on the relevant Screen Page at such time on the Reset Determination Date, the arithmetic mean (rounded if necessary to the fifth decimal place with 0.000005 being rounded upwards) of the rates at which deposits in euros are offered by four major banks in the

Eurozone interbank market, as selected by the Bank, at such time on the Reset Determination Date to prime banks in the Eurozone interbank market for a six-month period commencing on the Reset Date in a Representative Amount, with the Bank to request the principal Eurozone office of each such major bank to provide a quotation of its rate;

"**Euroclear**" has the meaning given to such term in Condition 1.2;

"**Extraordinary Resolution**" has the meaning given to such term in Condition 9;

"**FATCA**" has the meaning given to such term in Condition 7;

"**Group**" means the Bank together with its consolidated Subsidiaries;

"**Holder**" has the meaning given to it in Condition 1.3;

"**Iberclear**" means the *Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal*, the Spanish Central Securities Depository, which manages the Spanish Central Registry and the Spanish settlement system. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain;

"**Iberclear Member**" means each participating entity (*entidad participante*) in Iberclear;

"**Independent Financial Adviser**" means an independent financial firm or financial adviser with appropriate expertise or financial institution of recognised standing appointed by the Bank at its own expense;

"**Independent Financial Adviser Certificate**" means a certificate signed by a representative of an Independent Financial Adviser stating that, in the opinion of such Independent Financial Adviser, (i) the changes determined by the Bank pursuant to a substitution or variation of the SNP Green Notes under Condition 4.6 will result in the Qualifying Notes having terms not materially less favourable to the Holders than the terms of the SNP Green Notes on issue and (ii) the differences between the terms and conditions of the Qualifying Notes and these Conditions are only those strictly necessary to (a) in the case of a Disqualification Event, comply with the then current requirements for MREL-Eligible Senior Non Preferred Instruments in accordance with Applicable Banking Regulations or (b) in the case of a Tax Event, cure the relevant Tax Event;

"**Initial Fixed Interest Rate**" has the meaning given to it in Condition 3.3;

"**Initial Fixed Rate Interest Period**" means the period from (and including) the Issue Date to (but excluding) the Reset Date;

"**Insolvency Law**" means the restated text of the Spanish Insolvency Law approved by Legislative Royal Decree 1/2020, of 5 May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*), as amended or replaced from time to time;

"**Interest Payment Date**" means (i) in respect of the period from the Issue Date to (and including) the Reset Date, 14 October in each year, starting on (and including) 14 October 2022 and (ii) after the Reset Date, 14 October 2027;

"**Interest Period**" means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date;

"**Interest Rate**" means the Initial Fixed Interest Rate and/or the Reset Rate of Interest, as the case may be;

"**Issue Date**" means 14 October 2021, being the date of the initial issue of the SNP Green Notes;

"**Law 10/2014**" means Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

"**Law 11/2015**" means Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), as amended from time to time;

"**Loss Absorbing Power**" means any power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the Kingdom of Spain, relating to (i) the transposition of the BRRD (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) as amended or superseded from time to time, (ii) the SRM Regulation and (iii) the instruments, rules and standards created thereunder, pursuant to which, among others, any obligation of a Regulated Entity (or an affiliate of such Regulated Entity) including the SNP Green Notes, can be reduced, cancelled, suspended, modified, or converted into shares, other securities, or other obligations of such Regulated Entity (or affiliate of such Regulated Entity).

Accordingly, the exercise of the Loss Absorbing Power by the Relevant Resolution Authority may include and result in any of the following, or some combination thereof:

- (a) the reduction of all, or a portion of, the Amounts Due on a permanent basis;
- (b) the conversion of all, or a portion of, the Amounts Due into shares, other securities or other obligations of the Bank or another person (and the issue to the Noteholder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the SNP Green Notes, in which case the Noteholder agrees to accept in lieu of its rights under the SNP Green Notes any such shares, other securities or other obligations of the Bank or another person;
- (c) the cancellation of the SNP Green Notes or Amounts Due;
- (d) the amendment or alteration of the maturity of the SNP Green Notes or amendment of the amount of interest payable on the SNP Green Notes, or the date on which the interest becomes payable, including by suspending payment for a temporary period; and
- (e) the amendment of the terms of the SNP Green Notes;

"**Margin**" means 0.75%;

"**Maturity Date**" has the meaning given to it in Condition 4.1;

"**MREL**" means the "minimum requirement for own funds and eligible liabilities" for credit institutions under the BRRD, set in accordance with Article 45 of the BRRD (as transposed in the Kingdom of Spain), Commission Delegated Regulation (EU) 2016/1450 of 23 May 2016, supplementing Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, or any successor requirement under EU legislation and relevant implementing legislation and regulation in the Kingdom of Spain;

"**MREL-Eligible Senior Non Preferred Instrument**" means an instrument included in the Eligible Liabilities which are available to meet the MREL Requirements for the purposes of the Applicable Banking Regulations where such instrument ranks *pari passu* with the Senior Non Preferred Liabilities of the Bank;

"**MREL Requirements**" means the minimum requirement for own funds and eligible liabilities applicable to the Group under the Applicable Banking Regulations;

"**Original Reference Rate**" means:

- (a) the originally-specified benchmark (including the 1-year Mid-Swap Rate and EURIBOR) or screen rate (as applicable) used to determine the Reset Rate of Interest (or any component part thereof) on the SNP Green Notes; or
- (b) any Successor Rate or Alternative Rate which has been determined in relation to such benchmark or screen rate (as applicable) pursuant to the operation of Condition 3.7(b);

**"Proceedings"** has the meaning given to this term in Condition 12.2;

**"Qualifying Notes"** means, at any time, any securities denominated in euros and issued directly or indirectly by the Bank where such securities:

- (a) have terms not materially less favourable to the Holders than the terms of the SNP Green Notes with any differences between their terms and conditions and these Conditions being those strictly necessary to (in the case of a Disqualification Event) comply with the then current requirements for MREL-Eligible Senior Non Preferred Instruments in accordance with Applicable Banking Regulations and/or (in the case of a Tax Event) cure the relevant Tax Event (provided that the Bank shall have obtained a Bank's Certificate and an Independent Financial Adviser Certificate (copies thereof will be available at the Bank's registered office during its normal business hours) at least 15 Business Days prior to the issue or, as appropriate, variation of the relevant securities); and
- (b) subject to (a) above, shall (1) rank at least equal to the ranking of the SNP Green Notes, (2) have the same denomination and aggregate outstanding principal amount as the SNP Green Notes prior to the relevant variation or substitution, the same (or higher) Interest Rate, the same maturity date and the same Interest Payment Dates as those from time to time applying to the SNP Green Notes, (3) have the same redemption rights as the SNP Green Notes; (4) comply with the then current requirements of Applicable Banking Regulations in relation to MREL-Eligible Senior Non Preferred Instruments; (5) preserve any existing rights under the SNP Green Notes to any accrued interest or other amounts which have not been paid, (6) are assigned (or maintain) at least the same solicited credit ratings as were assigned to the SNP Green Notes immediately prior to such variation or substitution, and (7) shall not at such time be subject to a Disqualification Event or a Tax Event; and
- (c) are (i) listed and admitted to trading on AIAF or (ii) listed on a Recognised Stock Exchange, if the SNP Green Notes were listed immediately prior to such variation or substitution.

For the avoidance of doubt, any variation in the ranking of the SNP Green Notes as set out in Condition 2 resulting from any substitution or variation of the terms of the SNP Green Notes shall be deemed not to be materially less favourable to the interests of the Holders where the ranking of the SNP Green Notes following such substitution or variation is at least the same ranking as is applicable to the SNP Green Notes under Condition 2 on the Issue Date;

**"Rating Agency"** means any of S&P Global Ratings Europe Limited, Moody's Investors Service España, S.A., Fitch Ratings Ireland Limited and DBRS Ratings GmbH or their respective successors;

**"Recognised Stock Exchange"** means a regulated, regularly operating, recognised stock exchange or securities market in an OECD member state;

**"Reference Banks"** means five leading swap dealers in the principal interbank market relating to euro selected by the Bank;

**"Regulated Entity"** means any entity to which BRRD, as implemented in the Kingdom of Spain (including but not limited to, Law 11/2015, Royal Decree 1012/2015 and any other implementing regulations) and as amended or superseded from time to time, or any other Spanish piece of legislation relating to the Loss Absorbing Power, applies, which includes, certain credit institutions, investment firms, and certain of their parent or holding companies;

**"Relevant Date"** means in respect of any payment, the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made;

**"Relevant Nominating Body"** means, in respect of a benchmark or screen rate (as applicable):

- (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

- (b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof;

**"Relevant Resolution Authority"** means the *Fondo de Resolución Ordenada Bancaria* (FROB), the Single Resolution Board (SRB) established pursuant to the SRM Regulation and/or any other authority entitled to exercise or participate in the exercise of any Loss Absorbing Power from time to time;

**"Representative Amount"** means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

**"Reset Date"** means 14 October 2026;

**"Reset Determination Date"** means, in respect of the Reset Period, the day falling two TARGET Business Days prior to the first day of such Reset Period;

**"Reset Period"** means the period from and including the Reset Date to but excluding 14 October 2027;

**"Reset Rate of Interest"** has the meaning given to it in Condition 3.4;

**"Reset Reference Bank Rate"** means, in relation to the Reset Period and the Reset Determination Date, the percentage determined on the basis of the 1-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 am (CET) on the Reset Determination Date. The Bank will request the principal offices of each of the Reference Banks to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for the Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be equal to the last available 1-year mid swap rate for euro swap transactions, expressed as an annual rate, on the Screen Page;

**"Royal Decree 84/2015"** means Royal Decree 84/2015, of 13 February, implementing Law 10/2014 (*Real Decreto 84/2015, de 13 de febrero, por el que se desarrolla la Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended from time to time;

**"Royal Decree 1012/2015"** means Royal Decree 1012/2015, of 6 November, developing Law 11/2015 (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de garantía de depósitos de entidades de crédito*), as amended from time to time;

**"Screen Page"** means the display page on the relevant Reuters information service designated as:

- (a) in the case of the 1-year Mid-Swap Rate, the "ICESWAP2" page; or
- (b) in the case of EURIBOR 6-month, the "EURIBOR01" page;

or in each case such other page as may replace that page on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the 1-year Mid-Swap Rate or EURIBOR 6-month, as applicable;

**"Senior Non Preferred Liabilities"** means any obligations of the Bank with respect to any unsubordinated and unsecured non preferred ordinary claims ("*créditos ordinarios no preferentes*") against the Bank under Additional Provision 14.2 of Law 11/2015 and any other obligations which, by law and/or by their terms, and to the extent permitted by Spanish law, rank *pari passu* with the Senior Non Preferred Liabilities;

**"Senior Preferred Liabilities"** means any obligations of the Bank with respect to any unsecured and unsubordinated claims ("*créditos ordinarios*") against the Bank, other than the Senior Non Preferred Liabilities;

**"SNP Green Notes"** means the €500,000,000 Fixed Rate Reset Senior Non Preferred Callable Green Notes due October 2027 issued by the Bank on the Issue Date;

**"SRM Regulation"** means Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15 July 2014, establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of the Single Resolution Mechanism and the Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (as amended or superseded from time to time);

**"SRM Regulation II"** means Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 806/2014 as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms;

**"Spanish Central Registry"** has the meaning given in Condition 1.2;

**"Subsidiary"** means any entity over which another entity has, directly or indirectly, control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*), Rule 43 of Circular 4/2017, of 27 November, of the Bank of Spain and Applicable Banking Regulations;

**"Successor Rate"** means a successor to or replacement of the 1-year Mid-Swap Rate which is formally recommended by any Relevant Nominating Body;

**"Supervisory Permission"** means, in relation to any action, such supervisory permission (or, as appropriate, waiver) as is required therefor under prevailing Applicable Banking Regulations (if any);

**"TARGET Business Day"** means a day on which the TARGET System is operating;

**"TARGET System"** means the Trans European Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto;

**"Tax Event"** means, at any time on or after the Issue Date, a change in, or amendment to, the laws or regulations of the Kingdom of Spain (including, for the avoidance of doubt, any political subdivision thereof or any authority or agency therein or thereof having power to tax), or any change in the official application or interpretation of such laws or regulations that results in:

- (a) the Bank not being entitled to claim a deduction in computing taxation liabilities in the Kingdom of Spain in respect of any payments of interest in respect of the SNP Green Notes or the value of such deduction to the Bank being materially reduced; or
- (b) the Bank being obliged to pay additional amounts pursuant to Condition 7; or
- (c) the applicable tax treatment of the SNP Green Notes changes in a material way that was not reasonably foreseeable at the Issue Date,

and, in each case, cannot be avoided by the Bank taking reasonable measures available to it; and

**"Waived Set-Off Rights"** means any and all rights of or claims of any Holder for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any SNP Green Note.



## USE AND ESTIMATED AMOUNT OF NET PROCEEDS

The estimated amount of net proceeds of the issue of the SNP Green Notes is EUR 496,980,000 (the "**Net Proceeds**") and the Issuer intends to apply an amount equal to the Net Proceeds to finance and/or refinance, in whole or in part, new or existing Green Eligible Projects.

Green Eligible Projects are loans, investments or projects within the Issuer's balance sheet for which the disbursement has occurred no more than two calendar years prior to the Issue Date or future disbursements within the next three years following the Issue Date, that fall under the categories described in the Green Bond Framework of renewable energy, clean transportation and green buildings and that meet the eligibility requirements defined and detailed in the Green Bond Framework.

The Green Bond Framework is available for viewing on the Issuer's website (including as amended, supplemented, restated or otherwise updated on such website from time to time): [https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor\\_relations/fixed\\_income/sustainable-financing](https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/fixed_income/sustainable-financing).

The process to select and evaluate Green Eligible Projects will be performed according to the Green Bond Framework by a green bond committee of the Issuer, which will review all proposed green eligible projects to determine their compliance with the Green Bond Framework in order to approve and/or review the allocation of an amount equivalent to the Net Proceeds.

The green bond committee will also be responsible for monitoring the management of proceeds and will review and approve the reporting relating to the SNP Green Notes. The Issuer intends to publish this reporting (which will include both an allocation reporting and an impact reporting) on a yearly basis until the maturity or early redemption of the SNP Green Notes. The reporting will be published on Kutxabank's website and remain available until the maturity or early redemption of the SNP Green Notes.

The Issuer shall request on an annual basis, until the maturity of the SNP Green Notes, an external assurance report confirming that an amount equal to the Net Proceeds has been allocated in compliance with all material respects of the criteria set forth in the Green Bond Framework and the review of the impact reporting.

The Green Bond Framework follows the ICMA Green Bond Principles.

The "**ICMA Green Bond Principles**", at any time, are the Green Bond Principles published by the International Capital Markets Association at such time, which as at the date of this Prospectus are the Green Bond Principles June 2021 (<https://www.icmagroup.org/assets/documents/Sustainable-finance/2021-updates/Green-Bond-Principles-June-2021-140621.pdf>).

The Issuer has commissioned Vigeo Eiris to conduct an external review of the Green Bond Framework, which has issued the Second Party Opinion, which is available for viewing on the Issuer's website: [https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor\\_relations/fixed\\_income/sustainable-financing](https://www.kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/fixed_income/sustainable-financing).

Neither the Green Bond Framework, nor the Second Party Opinion nor any of the above reports or contents of the above website are incorporated in or form part of this Prospectus. The information contained in the website referred to in this section has not been scrutinised or approved by the CNMV.

## DESCRIPTION OF THE ISSUER

### HISTORY AND DEVELOPMENTS

Kutxabank is legally incorporated as a Spanish public limited company (*sociedad anónima*) with the status of a bank. The Issuer is subject to special banking legislation and related regulations in respect of the management, supervision and solvency of credit institutions, in particular, Law 10/2014 and Royal Decree 84/2015 (as defined in section "*Capital, Liquidity and Funding Requirements —Capital, Liquidity and Funding Requirements*"), and is subject to the supervision, control and regulation of the Bank of Spain (*Banco de España*) and the ECB under the supervision system created by the Single Supervisory Mechanism. Kutxabank is also subject to the Restated Spanish Companies Act, approved by Royal Legislative Decree 1/2010, of 2 July and the Spanish Securities Market Law, Royal Decree 217/2008, of 15 February, on the legal regime for investment services companies and other entities providing investment services and further implementing legislation.

The Issuer's registered office is located at Gran Vía Diego López de Haro, 30-32, 48009 Bilbao, Spain, the telephone number of its registered office is "+34 94 401 7000" and its corporate website is "www.kutxabank.com" (the information on the corporate website of the Issuer does not form part of the Prospectus unless that information is incorporated by reference into the Prospectus, and has not been scrutinised or approved by the CNMV).

The Issuer's legal and commercial names are Kutxabank, S.A. and Kutxabank, respectively.

The Issuer was incorporated on 14 June 2011 for an indefinite period under the corporate name Banco Bilbao Bizkaia Kutxa, S.A.U., by means of a public deed granted before the Notary Public of Bilbao, Mr. Vicente del Arenal, under number 863 of his protocol, and is registered at the Commercial Registry of Vizcaya, in volume 5226, book 0, page no. BI-58729, sheet 1, entry number 1. The Issuer then changed its name to Kutxabank, S.A. on 22 December 2011. Kutxabank commenced its operations on 1 January 2012. In addition, the Issuer is registered in the Register of Banks and Bankers of the Bank of Spain, under number 2095. The Bank's tax identification number is A95653077 and its LEI code is 549300U4LIZV0REEQQ46.

Kutxabank's corporate object comprises all manner of activities, transactions and services which are inherent to the banking business in general and which it is permitted to perform under current legislation, including the provision of investment and ancillary services, and the acquisition, ownership, use, and disposal of all manner of marketable securities.

Kutxabank is the parent of the Kutxabank Group, which arose from the integration of the three Basque savings banks – Bilbao Bizkaia Kutxa, Aurrezki Kutxa eta Bahitetxea ("**BBK**"), Caja de Ahorros y Monte de Piedad de Guipúzcoa y San Sebastián ("**Kutxa**") and Caja de Ahorros de Vitoria y Álava (hereinafter "**Caja Vital**").

The primary business of the Group is supplying commercial and retail banking facilities and providing financial products and services to individuals, small and medium enterprises ("**SMEs**") and other corporate entities.

The main events in the history of Kutxabank and the Kutxabank Group are the following:

#### ***Acquisition of Caja de Ahorros and Monte de Piedad de Córdoba by BBK***

Prior to the process of integration of the three Basque savings banks that gave rise to the Kutxabank Group, BBK acquired and integrated into its consolidated group Caja de Ahorros and Monte de Piedad de Córdoba ("**CajaSur**"), an Andalusian savings bank that had been intervened by the Bank of Spain.

The main reason for the intervention of CajaSur was the high level of impairment of a significant portion of both its credit portfolio and its industrial portfolio, especially that related to the real estate development sector. Additionally, the entity had low levels of efficiency and significant gaps in its risk control infrastructure.

The acquisition took place on 16 July 2010, through a competitive bidding process launched by the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the "**FROB**"), which included the assignment of all the assets and liabilities of the CajaSur group to BBK Bank, S.A., a company wholly owned by BBK and which was expressly set up for this transaction. Subsequently, said company changed its name to CajaSur Banco, S.A. ("**CajaSur Banco**").

The main conditions related to the procedure for awarding CajaSur to BBK were the following:

- A share capital increase of EUR 800.00 million in BBK Bank, S.A., to be fully subscribed by BBK, until reaching a total share capital of EUR 818.00 million.
- The transfer of all the assets and liabilities of the CajaSur group to BBK Bank, S.A., for a total price of EUR 1.00.
- An asset protection scheme (the "APS") to be granted by the FROB, linked to a specific portfolio of assets. Under the APS, the FROB would assume losses derived from those assets within five years up to a maximum of EUR 392.00 million. The APS was materialised in a loan, which was intended to be amortised against the losses subject to protection. As at today, such loan is fully amortised.

The transaction was closed on 1 January 2011. At that date, the excess of the purchase price over the net fair value of assets and liabilities transferred amounted to EUR 301.46 million, with such amount being accounted for as goodwill. This goodwill mainly reflects the value of CajaSur's franchise among Andalusian customers.

### ***Integration of BBK, Kutxa, Caja Vital and Kutxabank***

On 30 June 2011, the Boards of Directors of BBK, Kutxa, Caja Vital and the Bank approved the integration agreement for the creation of a contractual consolidable group of credit institutions (Institutional Protection Scheme or "IPS"), the head of which would be the Bank, and which would also comprise BBK, Kutxa and Caja Vital (referred to collectively as the "**Savings Banks**"). This integration agreement governed the aspects comprising the new Group, the Group's and the Bank's governance, and the Group's stability mechanisms.

Also, the Boards of Directors of the Savings Banks and the Bank (the latter as the beneficiary) approved, pursuant to Title III and the Third Additional Provision of Law 3/2009, of 3 April, on structural modifications to companies, the corresponding spin-off plans under which all the assets and liabilities associated with the financial activity of BBK, Kutxa and Caja Vital would be contributed to the Bank, and the Savings Banks would perform their objects as credit institutions indirectly through the Bank.

The purpose of the spin-off was the global transfer, by universal succession, of all the assets and liabilities of the respective Savings Banks (including BBK's ownership interest in CajaSur Banco), except for the excluded assets and liabilities not directly related to the Savings Banks' financial activities (including BBK's ownership interest in the Bank), which were identified in the respective spin-off plans.

The spin-off plans, together with the integration agreement and the subsequent novation thereof, were approved by the corresponding general assemblies of BBK and Caja Vital on 16 September 2011 and by the general assembly of Kutxa and by the Bank's then sole shareholder on 26 September 2011.

Once the relevant administrative authorisations had been obtained, on 22 December 2011, BBK, Kutxa and Caja Vital, together with the Bank, executed the relevant public deeds for the spin-off of the Savings Banks' financial businesses and the contribution thereof to Kutxabank.

On 1 January 2012, the spin-off was registered with the Commercial Registry of Vizcaya and, consequently, as from that moment the spin-off of the Savings Banks' businesses and the contribution thereof to the Bank and the IPS became effective. The Bank, as the beneficiary of the spin-off, was subrogated in all the rights, actions, obligations, liability and charges relating to the spun-off assets and liabilities. Also, the Bank assumed the human and material resources related to the operation of the spun-off businesses of the respective Savings Banks. On that same date, the Bank commenced its operations.

In exchange for the spun-off assets and liabilities, the Bank increased share capital by a total of EUR 1,981,950,000, represented by 1,981,950 registered shares, each with a par value of EUR 1,000, plus a share premium, so that each Savings Bank received newly issued shares in the Bank for a value equal to the value of the assets and liabilities transferred from each Savings Bank. After the capital increase, the ownership interest of each Savings Bank in the Bank was as follows: BBK 57%, Kutxa 32% and Caja Vital 11%.

Pursuant to Law 26/2013, of 27 December, on savings banks and banking foundations, the ordinary general assemblies of BBK and Caja Vital at their sessions held on 30 June 2014 and the extraordinary general assembly of Kutxa held on 24 October 2014 approved the transformation of the Savings Banks into banking foundations. BBK, Kutxa and Caja Vital were subsequently registered at the Basque Country Foundations Registry on 24 November 2014, 22 December 2014 and 29 July 2014, respectively.

The registration of the three former Savings Banks at the Foundations Registry resulted in the loss of their status as credit institutions and, as a result, the IPS formed by the Savings Banks and Kutxabank was terminated. In this regard, the Board of Trustees of Bilbao Bizkaia Kutxa Fundación Bancaria-Bilbao Bizkaia Kutxa Banku Fundazioa ("**BBK Banking Foundation**") and the Board of Trustees of Fundación Bancaria Vital-Vital Banku Fundazioa ("**Vital Banking Foundation**"), unanimously resolved, on 23 January 2015 and 10 February 2015, respectively, to terminate the IPS and the integration agreement entered into by the former Savings Banks and Kutxabank. In addition, on 17 March 2015 the Board of Trustees of Fundación Bancaria Kutxa-Kutxa Banku Fundazioa ("**Kutxa Banking Foundation**") also unanimously resolved to terminate the integration agreement entered into by the former Savings Banks and Kutxabank.

## **BUSINESS OVERVIEW**

Since the integration of the Savings Banks in 2012, the Kutxabank Group has consolidated its position among the leading medium-sized banks in the Spanish financial industry.

This positive outcome is the result of its successful local banking model based on the retail sector (retail loans and SME loans represented 71.77% and 5.99%, respectively, of the credit to clients<sup>23</sup> of the Group as at 30 June 2021, when the percentage of credits to clients<sup>24</sup> over total assets was 72.61%), its particular roots in, and commitment to, its home territories (where it has remarkable market shares as at 30 June 2021: a 35.8% deposits market share, a 29.3% loans market share and a 26.5% branches share in the Basque Country (source: *statistical journal of the Bank of Spain as at 30 June 2021*), a 38.0% deposits market share and a 28.2% loans market share in Cordoba (source: *statistical journal of the Bank of Spain as at 30 June 2021*) and a 8.4% branches market share in Andalusia (source: *statistical journal of the Bank of Spain as at 30 June 2021*)), and the strong social content of its activity (the Group is involved in socially cohesive and economically efficient projects). The Group has selected presence in the rest of the Spanish market, especially in Madrid (with a 2.5% branches share as at 30 June 2021 (source: *statistical journal of the Bank of Spain as at 30 June 2021*)) and Catalonia (with a 1.2% branches share as at 30 June 2021 (source: *statistical journal of the Bank of Spain as at 30 June 2021*)). As at 31 December 2020, 66.48% of the Group's gross income was obtained from retail local markets which is a clear example of its business model. Kutxabank considers that the Group has highly-conservative risk standards, which is seen by Kutxabank as another remarkable feature of the Group. The above notwithstanding, the Group has also a diversified income structure with 51.13% of its income the six-month period ended on 30 June 2021 (47.40% and 47.22% for the one-year period ended 31 December 2020 and 31 December 2019, respectively) consisting of commissions and income generated by the insurance business<sup>25</sup> (compared to 30% in 2012).

This model is underpinned by a low risk profile and a strong capital adequacy and liquidity position according to the European Banking Authority transparency exercise in 2020, where the Bank showed once again the best CET1 fully loaded ratio, 16.6%, in the Spanish banking sector and the only one above the European average. Moreover, in accordance with publicly available information, the Kutxabank Group has been imposed with the lowest level of P2R within the Spanish banking sector in the latest supervisory review and evaluation process (the "**SREP**") (source: *European Central Bank*).

The Group has a coherent organisational structure (with 5,210 employees as at 30 June 2021 and it had 5,522 as at 31 December 2020 and 5,365 as at 31 December 2019) and well-defined reporting lines.

The Group's activities are organised into four large business lines according to area of operation, customer type and nature of the services provided. Each of the business lines has its own management unit around which its activities are organised and which establishes the targets to be met. Additionally, each business line has its own organisational structure and internal governance model. The business lines are:

- (i) Retail Business;
- (ii) Wholesale Business;

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<sup>23</sup> Credit to clients is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".

<sup>24</sup> "Credits to clients" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>25</sup> "Commissions and income generated by the insurance business to total income" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".

- (iii) Industrial holdings; and
- (iv) Non-Core Real Estate.

A high-level description of the operations, sub-units, core products and legal entities involved in each of the business lines is provided below:

### ***Retail Business***

This is the Group's most important business line, both in terms of turnover (it represented 81.51% of the gross income in the six-month period ended on 30 June 2021, 81.59% for the one-year period ended 31 December 2020 and 80.46% for the one-year period ended 31 December 2019) and deployed staff. The core business of the Group is secure-lending to individuals (as at 30 June 2021, 80.71% of the Group's loans to the private sector were loans to households, out of which 92.17% are secured, 80.67% and 93.28%, respectively, as at 31 December 2020, and 80.82% and 93.34%, respectively as at 31 December 2019).

Through this business line, the Group offers its financial products and services to individual customers. The most important products and services are mortgage loans for home purchase and savings plans via demand and term deposits, in addition to the services typically offered to this segment (debit and credit cards, transfers of funds, etc.).

The Bank organises its retail business based on its priority geographical areas of operation:

- Basque Country networks: Vizcaya, Guipúzcoa and Álava (local networks),
- Andalusia: Cordoba and Jaen are considered as local networks,
- Expansion: rest of Spain.

From an organisational perspective, the Group's structure comprises a network of branches and a commercial team devoted to this business line, organised according to the geographical areas in which the Group operates. In addition, the Retail Business line has centralised intermediate and business support structures which allow for specialised yet uniform management per area, as well as the performance of monitoring and follow-up.

This business line has its own governance committee (Retail Business Committee), which meets on a monthly basis and makes key decisions affecting this business line and analyses the performance of each of its units.

Kutxabank and CajaSur Banco are the main companies that comprise the Retail Business. However, the Group considers certain activities as part of this business line, despite being legally managed by various subsidiaries.

The Retail Business also includes both the bancassurance and asset management activities. The rationale behind this model is that those activities leverage the Group's commercial network, as Kutxabank's and CajaSur Banco's points of sale are needed to market the bancassurance and asset management activities.

The bancassurance activity is developed by the Group through Kutxabank Aseguradora, Compañía de Seguros y Reaseguros, S.A.U. and Kutxabank Vida y Pensiones, Compañía de Seguros y Reaseguros, S.A.U.

The asset management activity includes the assets under the management of Kutxabank Gestión S.A.U., S.G.I.I.C., the Fineco Group and Norbolsa, S.V, S.A.

### ***Wholesale Business***

The Wholesale Business is the Group's second most important business line in terms of business turnover (it represented 12.82% of the gross income in the six-month period ended on 30 June 2021, 12.36% for the one-year period ended 31 December 2020 and 12.63% for the one-year period ended 31 December 2019).

Through this business line, the Group offers its financial products and services to different types of companies. The most relevant are the working capital financing products (credit accounts, commercial discount and foreign trade financing), fixed asset financing (mainly through secured loans), and to a lesser extent, developer loans (for the Residential Property Development Banking segment).

This business line is divided into several segments, depending on the type of company targeted:

- Corporate Banking: it targets large corporations (with an annual turnover over EUR 100 million in the Basque Country region and over EUR 300 million in the rest of Spain).
- Business Banking: it targets businesses with an annual turnover of between EUR 0.6 million (EUR 2 million in the Andalusian market) and EUR 100 million.
- Institutional Banking: it is specialised on the needs of public sector entities.
- Residential Property Development Banking: its main aim is to provide financing for development within the residential property market, seeking to create new mortgages for the Retail Business.

The Wholesale Business line also has a network of offices, specific management centres and a specialised commercial and technical team. Decision making and monitoring the progress of this business line is done at executive meetings by the persons in charge at each segment.

Kutxabank and CajaSur Banco are the main entities comprising this business line.

### ***Industrial holdings***

This business line comprises a number of companies in which the Group holds a stake and that complement and diversify the Group's core banking business. It contains the investments of the Group's industrial holdings portfolio. The Group has significant holdings in several major industrial companies in their respective sectors. Main stakes as officially reported are Iberdrola, S.A. (1.692%), Petróleos del Norte, S.A. (14.02%) and Construcciones y Auxiliar de Ferrocarriles, S.A (14.056%).

This business line also has its own management unit and organisational and governance structure, led by the Group's investments' division.

This business line contributed EUR 35.13 million in the six-month period ended 30 June 2021 and EUR 64.86 million in the one-year period ended 31 December 2020 (EUR 65.72 million in the one-year period ended 31 December 2019).

### ***Non-Core Real Estate***

This part of the business mainly consists of the management of the Group's non-strategic assets related to the real estate sector (loans, shareholdings, land and other types of immovable assets).

This is a business line which is progressively being liquidated, with a very high percentage exposure to the risk associated with problematic situations (it represented 0.43% of the gross income for the one-year period ended 31 December 2020 and 0.92% for the one-year period ended 31 December 2019).

This business line also has its own executive management committee (Real Estate Committee), which meets monthly.

### **Kutxabank Group's Products and Services**

The Kutxabank Group offers a wide range of financial products and services to individuals, SMEs and other corporate entities, including, among others, loans, traditional deposits, investment funds, pensions and insurance.

#### ***Mortgage loans***

The Kutxabank Group offers mortgage loans for home purchase and for the purchase of other types of property. Mortgage loans are tailored to customers' circumstances and requirements, including fixed rate, floating rate and mixed rate mortgage loans, and ample flexibility with respect to maturity periods.

As at 30 June 2021, the outstanding balance of mortgage loans to clients amounts to EUR 33,501.86 million, representing 51.43% of the total assets of the Group, out of which EUR 30,341.20 million are residential mortgage loans (EUR 32,793.06 million as at 31 December 2020, representing 51.42% of the total assets of the Group, out of which EUR 29,446.56 million were residential mortgage loans, and EUR 32,235.63 million as at 31 December 2019, representing 54.10% of the total assets of the Group, out of which EUR 28,412.19 million were residential mortgage loans). The evolution of this product during both the six month period ended 30 June 2021

and also during year ended 31 December 2020 was notable, with a new production of mortgage loans of EUR 2,300.71 million and EUR 3,534.95 million, respectively (that, respectively represented year-on-year evolutions of 70.80% and 9.63%), which offset the relevant repayments.

As at 30 April 2021, the Kutxabank Group had a market share of new mortgages arranged in the Basque Country of 45.2%, with a remarkable year-on-year growth of 50 basis points (source: *Instituto Nacional de Estadística (INE) and own elaboration*). The market share in Andalusia experienced a relevant year-on-year growth of 410 basis points as at 30 April 2021 (reaching 17.6%) and, as at 31 July 2021, the Group had a market share in Spain of 9.5% (compared with its branches' market share in Spain of 3.8%) (source: *Instituto Nacional de Estadística (INE) and own elaboration*).

### ***Consumer loans***

The Kutxabank Group offers personal loans for financing the acquisition of consumer durable products (cars, home improvements) and consumer products (cash loans and other personal loans). It also offers point-of-sale credits, which allow companies' clients to obtain financing directly from the Kutxabank Group up to EUR 20,000.

As at 30 June 2021, the outstanding balance of consumer loans amounts to EUR 1,231.44 million, representing 1.89% of the total assets of the Group and 2.60% of the credit to clients<sup>26</sup> of the Group (EUR 1,231.54 million, 1.93% and 2.78%, respectively, as at 31 December 2020, and EUR 1,204.63 million, 2.02% and 2.88%, respectively, as at 31 December 2019). Although the evolution of this product during the year ended 31 December 2020 was penalised by the COVID-19 crisis, the evolution during the six-month period ended 30 June 2021 was remarkable. As at 30 June 2021, the new production of consumer loans amounted to EUR 246.19 million and as at 31 December 2020 to EUR 453.49 million (that, respectively, represented year-on-year evolutions of 18.97% and -14.92%).

### ***Productive asset finance (fixed assets)***

The Kutxabank Group offers loans secured by a mortgage or guaranteed by personal guarantees for financing the acquisition of real estate ordinary business activity, the acquisition of business equipment and other purposes. It also offers European Investment Bank ("**EIB**") financing, which allows their beneficiaries to obtain financing under preferential conditions by virtue of the agreement between Kutxabank and the EIB.

### ***Working capital financing***

The Kutxabank Group offers working capital financing such as credit advances and discounting facilities (i.e., financing operations that allow a customer with a credit right against a third party incorporated in a bill of exchange or a promissory note or documented otherwise and which have not matured, to receive the amount equivalent to the receivable for a fee and up to an agreed maximum amount) and credit accounts (i.e., a financing product which allows a customer to access financial resources, up to a specified amount or limit, to ease the liquidity issues of its company's production cycles, with a pre-agreed interest rate and maturity term).

This product contributed EUR 753 million to the outstanding balance of credit to clients<sup>27</sup> in the six-month period ended 30 June 2021 and EUR 1,668 million in the one-year period ended 31 December 2020 (EUR 2,568 million in the one-year period ended 31 December 2019).

### ***International business solutions and other solutions for companies***

The Kutxabank Group offers companies a broad range of solutions for collections, payments and guarantees, export financing, import financing, risk hedging and comprehensive cash management. In addition, the Group offers factoring with and without recourse, leasing, confirming and renting.

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<sup>26</sup> Credit to clients is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".

<sup>27</sup> Credit to clients is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".

### ***Current and savings accounts and deposits***

The Kutxabank Groups offers a broad range of current account and on demand deposits (including demand accounts, savings accounts, home purchase savings accounts and regular savings plans). It also offers fixed-term deposits at different maturities.

As at 30 June 2021, the Group had customer deposits<sup>28</sup> with a total balance of EUR 47,096.86 million (EUR 45,454.43 million as at 31 December 2020 and EUR 44,740.62 million as at 31 December 2019), 90.82% of which are retail and SMEs deposits (86.96% and 83.97% as at 31 December 2020 and 31 December 2019, respectively). As at that date, the deposits of the Group represented 72.30% of its total assets (71.27% and 75.09% as at 31 December 2020 and as at 31 December 2019, respectively) and 79.95% of the deposits of the Group were stable deposits (79.55% as at 31 December 2020).

### ***Long-term investments and savings***

The Kutxabank Groups offers a wide range of investment fund options that can meet any investor profile (money market, fixed-income, equity-linked, balanced, actively-managed funds, etc.) as well as EPSVs (specific individual and group pension plans of the region of the Basque Country) and individual and collective pension plans. It also provides delegated fund portfolios (advisory services materialised in investment funds suited to the customer's risk profile) and securities (investments in securities listed on stock exchanges and bond markets on customers' behalf).

As at 30 June 2021, off-balance sheet customer funds managed by the Group reached approximately EUR 30,384.91 million (64.88% of which were investment funds and 34.08% of which were pension plans — which include approximately EUR 8,691.00 million of EPSVs), EUR 4,059.76 million of which are managed by the Fineco Group (whose assets under management experienced a remarkable 9.75% year-on-year growth as at that date).

As at 30 June 2021, the Group had a 6.58% market share in Spain in investment funds management (source: *INVERCO*) and as at 30 June 2021, the Group had a 48.81% market share in the Basque Country in pensions plans management (source: *Basque Federation of Voluntary Social Welfare Entities*). Also as at that date, the Group was the fourth entity in the Spanish domestic sector by customer funds managed (source: *INVERCO*) and the eighth position by bank assets (source: *public information of the significant credit entities supervised by the ECB*).

### ***Insurance***

The Kutxabank Group offers a wide range of products, including life and non-life insurance (among which, home, vehicle, health and death), it also offers insurance products which are specific for the wholesale business such as "Cyber Insurance" (i.e., a product offered to cover the financial, physical, and activity shutdown risk deriving from a data breach or system security failure affecting personal data, confidential information or the company's systems, among others), business insurance (i.e., an insurance covering the risks which affect business premises), comprehensive business insurance (i.e., an insurance covering a company and its employees against the risks arising from business activity) and credit insurance (i.e., an insurance covering a company from the lack of payment by its clients).

As at 30 June 2021, the Group recorded insurance premiums amounting to EUR 141.50 million, EUR 55.60 million of which were life insurance premiums and EUR 85.91 million of which were non-life insurance premiums (EUR 264.20 million as at 31 December 2020, EUR 109.09 million of which were life insurance premiums and EUR 151.11 million of which were non-life insurance premiums). As at 31 December 2019, the Group recorded insurance premiums amounting to EUR 262.80 million (EUR 109.47 million of which were life insurance premiums and EUR 153.33 million of which were non-life insurance premiums).

### ***Payment methods and management***

The Kutxabank Group offers a range of additional transactional services including credit and debit cards and other card types (ViaT, gift cards, etc.), transfers, invoice management, tax payments, payroll, pensions and benefit payments and Point of Sale (POS) Terminals.

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<sup>28</sup> "Deposits" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".



### ***Online services***

The Kutxabank Group offers a wide range of online services to its customers through its online and mobile platforms. Through Kutxabank's internet banking platform, customers can, among other things, access balance information, pay bills, transfer funds, check their correspondence and contact the bank online. There is also a customer service telephone line to assist customers. The Group also offers "e-billing", an electronic billing platform, available via online banking, which makes it possible to create, sign and store invoices in digital format with the same content and validity before the tax authorities, replacing traditional paper invoices.

The Group has developed the application "KutxabankPay app", which allows payment between individuals using the "Bizum" payment system as well as mobile phone-based payment using HCE technology (virtual cards) for Android terminals. It also provides access to various card control and management functionalities included in the Group's mobile banking offering. Through this application, as well as the online banking facility, users can directly manage their cards' credit limits and the daily security limits in the various areas (ATMs, purchases, online purchases, etc.) or choose to "switch on" and "switch off" their cards at their will. Customers may also defer their card payments on their mobiles using "Flexibuy". Through push notifications they receive on their phones, customers can decide whether to finance their debit and credit card purchases.

The digital channel of the Group has experienced a significant growth from 2014, having doubled the number of digital customers (55.5% of the Group's customers were digital customers as at 30 June 2021 (53.3% at the end of 2020 and 42.6% at the end of 2019)) and an increase of over 325% in the number of customers active in mobile banking (reaching 38.8% of the customers of the Group at the end of 2020). The online/mobile transactions have increased 33 basis points from 2014 (reaching 59% of the Group's total transactions for the year ended 31 December 2020), where the transactions conducted through other channels have decreased (i.e., the transactions conducted through the branch channel have decreased 22 basis points since 2014). It is also remarkable that, for the year ended 31 December 2020, consumer loans granted through digital channels (representing 28.5% of the Group's consumer loans) were 1.7 times the figure in 2014 and that digital customers contributed to over 80% of the gross income for that year.

### ***Business advice***

The Group also provides advice on corporate finance (by advising on mergers and acquisitions and providing a comprehensive coordination and overall support service which generates value for corporate customers), capital markets (by designing custom-made plans to meet the financing needs of customers' business projects) and project finance (by advising on and evaluating all kinds of local and international investment projects, with global financing solutions). The Group also holds stakes in venture capital entities, with a commitment to boost and reinforce the business structures of industrial and service companies.

### **Branches and Distribution Channels**

Kutxabank offers products adapted to the needs and profile of each customer, through a multi-channel approach adapted to the different forms of relationship with customers.

As at 30 June 2021, Kutxabank had a total of 799 branches in its network (820 as at 31 December 2020 and 869 as at 31 December 2019). The geographical distribution across various autonomous regions of Spain as at 30 June 2021 is as follows:

<b>Region</b>	<b>Kutxabank</b>	<b>CajaSur Banco</b>
Basque Country	289	
Vizcaya	144	
Guipúzcoa	89	
Álava	56	
Andalusia		297
Córdoba		125
Jaen		52
Rest Andalusia		120
Madrid	82	
Valencia	30	
Catalonia	34	
Castilla León	14	
Cantabria	10	
Aragón	7	
Navarre	9	
Galicia	9	
La Rioja	7	
Castilla La Mancha	6	
Murcia	2	
Asturias	3	
<b>Total</b>	<b>502</b>	<b>297</b>

In addition to the branch network, the Group has developed a number of other distribution channels to improve customer service and increase efficiency, including the following:

*Internet banking.* The Group offers a wide range of online services to its customers through its online and mobile platforms as described under "*Kutxabank Group's Products and Services*" above.

*Telephone banking.* The Group also offers its customers the choice to carry out banking transactions over the phone.

ATMs. The Group's 1,659 ATMs (as at 30 June 2021) allow its customers to conveniently access a variety of operations.

## MANAGEMENT

### Board of Directors

The table below sets forth, at the date of this Prospectus, the names of the members of the Board of Directors of the Issuer, their positions within the Issuer and their membership type:

<u>Name</u>	<u>Title</u>	<u>Category</u>
Mr Gregorio Villalabeitia Galarraga	Chairman	Executive
Ms Rosa María Fátima Leal Sarasti	First Vice-Chairman	Proprietary <sup>(3)</sup>
Mr Francisco Javier García Lurueña	Chief Executive Officer	Executive
Mr Joseba Mikel Arieta-araunabeña Bustinza	Director	Proprietary <sup>(2)</sup>
Mr Alexander Bidetxea Lartategi	Director	Proprietary <sup>(2)</sup>
Ms María Victoria Mendía Lasa	Director	Independent <sup>(*)</sup>
Mr Josu de Ortuondo Larrea	Director	Proprietary <sup>(2)</sup>
Mr Ricardo del Corte Elduayen	Director	Proprietary <sup>(3)</sup>
Mr José Miguel Martín Herrera	Director	Proprietary <sup>(3)</sup>
Mr. José Julio Zatón Salazar	Director	Independent
Ms María Manuela Escribano Riego	Director	Independent
Ms Roxana Meda Inoriza	Director	Independent
Mr Antonio Villar Vitores	Director	Independent
Mr Jorge Hugo Sánchez Moreno	Director	Proprietary <sup>(1)</sup>
Mr Hipólito Suárez Gutiérrez	Director	Independent
Ms Irantzu Irastorza Martínez	Secretary (non-Member)	
Ms Ana García Rodríguez	Vice Secretary (non-Member)	

<sup>(1)</sup> Shareholder represented: Vital Banking Foundation.

<sup>(2)</sup> Shareholder represented: BBK Banking Foundation.

<sup>(3)</sup> Shareholder represented: Kutxa Banking Foundation.

<sup>(\*)</sup> Lead independent Director (*Consejera Coordinadora*) with the power to request the chairman to call a board meeting and include new items on the meeting's agenda (and to request the president of each of the Committees to call a Committee meeting and to include new items on the meeting's agenda, and to attend to such meetings), to coordinate non-executive directors, to coordinate the evaluation of the Board of Directors and to lead the regular evaluation of the chairman of the Board of Directors and of the Chief Executive Officer.

The business address of each member of the Board of Directors is Gran Vía 30-32, 48009 Bilbao, Spain.

The table below sets forth the names of those members of the Board of Directors of the Issuer with activities performed outside the Group that are significant with respect to the Issuer as at the date of this Prospectus:

<u>Director</u>	<u>Company</u>	<u>Title</u>
Mr Gregorio Villalabeitia Galarraga	Confederación Española de Cajas de Ahorro	Fourth Vice-Chairman
Mr Francisco Javier García Lurueña	Cecabank, S.A.	Director

### Executive Committee

The Board of Directors has delegated all of its powers in favour of the Executive Committee, except for those which cannot be delegated pursuant to the provisions of the Spanish laws or according to the provisions of the bylaws or the Regulation of the Board of Directors.

As at the date of this Prospectus, the Executive Committee is composed of the following directors:

<u>Name</u>	<u>Position</u>
Mr Gregorio Villalabeitia Galarraga	Chairman
Ms Rosa María Fátima Leal Sarasti	Member
Mr Francisco Javier García Lurueña	Member
Mr Joseba Mikel Arieta-araunabeña Bustinza	Member
Mr José Miguel Martín Herrera	Member
Mr Jorge Hugo Sánchez Moreno	Member
Mr José Julio Zatón Salazar	Member

### Audit and Compliance Committee

The Audit and Compliance Committee has, in general terms and among others, the following functions: (i) reporting to the General Meeting of Shareholders on the issues of its competence; (ii) monitoring the effectiveness of the Issuer's internal control, internal auditing and risk management systems, as well as discussing with the auditors any significant weaknesses in the internal control system detected during the audit process; (iii) monitoring the process of preparing and presenting the regulated financial information; (iv) submitting to the

Board of Directors the proposals for the appointment of auditors; (v) establishing the appropriate relationships with the auditors to obtain information on any threat to their independence and to the audit review; and (vi) reporting to the Board of Directors in advance on all matters set forth in the law, the bylaws and in the Regulations of the Board of Directors.

As at the date of this Prospectus, the Audit and Compliance Committee is composed of the following directors:

<b>Name</b>	<b>Position</b>
Ms María Victoria Mendia Lasa	Chairwoman
Ms Roxana Meda Inoriza	Member and Secretary
Mr. José Julio Zatón Salazar	Member
Mr Rosa María Fátima Leal Sarasti	Member
Ms María Manuela Escribano Riego	Member

### ***Appointments Committee***

The Appointments Committee has, in general terms and among others, the following functions: (i) formulating and reviewing the criteria that must be followed for the composition of the Board of directors; (ii) formulating proposals for appointing and re-electing the directors; (iii) notifying the appointments and dismissals of the senior management; (iv) submitting the Suitability Assessment Policy to the Board of Directors; (v) submitting the evaluation systems linked to the Suitability Assessment Policy to the Board of Directors; (vi) assessing the suitability of the candidates or members of the Board of Directors and other collectives subject to the Suitability Assessment Policy; (vii) submitting the training plans for the collectives subject to the Suitability Assessment Policy to the Board of Directors; (viii) setting a representation target for the less represented gender in the Board of Directors; (ix) assessing the balance of knowledge, capacity, diversity and experience of the Board of Directors, and drafting a description of the functions and skills required for specific appointments; and (x) regularly assessing the structure, size, composition and performance of the Board of Directors.

As at the date of this Prospectus, the Appointments Committee is composed of the following directors:

<b>Name</b>	<b>Position</b>
Ms María Manuela Escribano Riego	Chairwoman
Mr Alexander Bidetxea Lartategi	Member and Secretary
Mr Hipólito Suárez Gutiérrez	Member
Mr Josu de Ortuondo Larrea	Member

### ***Remuneration Committee***

The Remuneration Committee has, in general terms and among other, the following functions: (i) submitting the remuneration system for the Board of Directors; (ii) submitting the extent and amount of the remunerations, rights and compensations of the executive directors; (iii) submitting to the Board of Directors the remuneration policy of the senior management; (iv) ensuring the compliance of the remuneration policy of the Issuer; and (v) ensuring the transparency of remunerations.

As at the date of this Prospectus, the Remuneration Committee is composed of the following directors:

<b>Name</b>	<b>Position</b>
Ms Roxana Meda Inoriza	Chairwoman
Mr Josu de Ortuondo Larrea	Member and Secretary
Mr Antonio Villar Vitores	Member
Mr Alexander Bidetxea Lartategi	Member
Ms María Victoria Mendia Lasa	Member

### ***Risk Control Committee***

The Risk Control Committee has, in general terms and among others, the following functions: (i) systematically revising exposures to the main types of risk; (ii) analysing and assessing proposals regarding strategy and policies of risk control management; (iii) advising the Board of Directors on the propensity to global risk, current and future, and its strategy in this field; (iv) assist the Board of Directors on monitoring the application of the risks strategy by the senior management; (v) advising the Board of Directors about how the nature, format and frequency of information on risks should be received by the Committee and the Board of Directors; (vi) reviewing and analysing the Issuer's risk map; (vii) checking whether the prices of assets and liabilities offered to customers have fully taken into consideration the Issuer's business model; and (viii) checking, without prejudice to the

functions of the Remunerations Committee, whether the incentives foreseen in the remuneration system, take into consideration risk, capital, liquidity, and probability and opportunity of profits.

As at the date of this Prospectus, the Risk Control Committee is composed of the following directors:

<b>Name</b>	<b>Position</b>
Mr Antonio Villar Vitores	Chairman
Mr José Julio Zatón Salazar	Member
Mr Joseba Mikel Arieta-araunabeña Bustinza	Member
Mr José Miguel Martín Herrera	Member
Ms María Victoria Mendía Lasa	Member
Mr Jorge Hugo Sánchez Moreno	Member
Ms Roxana Meda Inoriza	Member
Ms María Manuela Escribano Riego	Member

## **Management Team**

The following table specifies the management team of the Issuer as at the date of this Prospectus:

<b>Name</b>	<b>Position</b>
Mr Gregorio Villalabeitia Galarraga	Executive President
Mr Francisco Javier García Lurueña	Chief Executive Officer
Mr Fernando Martínez-Jorcano Eguiluz	Corporate General Manager
Mr José Alberto Barrena Llorente	Corporate General Manager
Ms Alicia Vivanco González	Investees General Manager
Mr Eduardo Ruiz de Gordejuela Palacio	Retail Business General Manager
Mr Fernando María Irigoyen Zuazola	Wholesale Business General Manager

There are no members of the management team of the Issuer with activities performed outside the Group that are significant with respect to the Issuer as at the date of this Prospectus.

The business address of each member of the Issuer's management team mentioned above is Gran Vía 30-32, 48009 Bilbao, Spain.

## **Conflicts of interest**

As at the date of this Prospectus, there are no conflicts of interest in relation to members of the Board of Directors of the Issuer or to members of its management team between any duties owed to the Issuer and their private interests and other duties.

Besides the measures provided for under applicable regulations, the Issuer has adopted the following measures to avoid conflicts of interest:

- (i) The Internal Code of Conduct on the Securities Market of the Issuer includes the general policy for the prevention and management of conflicts of interest which could arise between the clients of the Issuer, and between the clients and the Issuer itself.
- (ii) The Regulations of the Board of Directors develops the measures provided for under applicable regulations in connection with conflicts of interest and the Regulation on Conflicts of Interest, Transactions with Directors, Significant Shareholders and Senior Managers, and Intra-Group Relations implements the relevant provisions of the Regulations of the Board of Directors and, therefore, complements what is set out in the Internal Code of Conduct on the Securities Market.

## ORGANISATIONAL STRUCTURE

The following table summarises the subsidiaries of the Kutxabank Group and the Issuer's ownership of such companies as at 31 December 2020:

Name	Line of Business	Percentage of ownership		
		Direct	Indirect	Total
Alquiler de Trenes, A.I.E.	Railway material acquisition and lease.	95.00		95.00
Cajasur Banco, S.A.	Banking.	100.00	-	100.00
Compañía Promotora y de Comercio del Estrecho, S.L.	Property development.	-	100.00	100.00
Fineco Patrimonios, S.G.I.I.C., S.A.U.	Management of collective investment undertakings.	-	83.36	83.36
Fineco Previsión E.G.F.P., S.A.U.	Pension fund management.	-	83.36	83.36
Fineco Sociedad de Valores, S.A.	Broker-dealer.	83.36	-	83.36
Gesfinor Administración, S.A.	Administrative services	99.99	0.01	100.00
GIIC Fineco, S.G.I.I.C., S.A.U.	Management of collective investment undertakings.	-	83.36	83.36
Golf Valle Romano Golf & Resort, S.L.	Golf course management	-	100.00	100.00
G.P.S. Mairena el Soto, S.L.U.	Property development.	-	100.00	100.00
Harri Hegoalde 2, S.A.U.	Holding of property assets.	-	100.00	100.00
Harri Inmuebles, S.A.U.	Holding of property assets.	-	100.00	100.00
Harri Iparra S.A.U. (***)	Holding of property assets.	100.00	--	100.00
Harrisur, Activos Inmobiliarios, S.L	Holding of property assets.	--	100.00	100.00
Kartera 1, S.L.	Holding of shares	100.00	--	100.00
Kutxabank Aseguradora Compañía de Seguros y Reaseguros, S.A.U.	General insurance	100.00	--	100.00
Kutxabank Empréstitos, S.A.U.	Financial services.	100.00	--	100.00
Kutxabank Gestión, S.G.I.I.C., S.A.U.	Management of collective investment undertakings.	100.00	--	100.00
Kutxabank, Vida y Pensiones Compañía de Seguros y Reaseguros, S.A.U.	Insurance.	100.00	--	100.00
Kutxabank Pensiones, S.A. E.G.F.P.	Pension fund management.	--	100.00	100.00
Logística Binaria, S.L.	Lease of logistics buildings.	--	100.00	100.00
Norapex, S.A.	Leisure centre management.	--	100.00	100.00
Norbolsa Sociedad de Valores, S.A.	Broker-dealer.	80.00	--	80.00
Sendogi Capital, F.C.R.	Venture capital.	100.00	--	100.00
Viana Activos Agrarios, S.L.	Ownership and operation of rural land.	--	100.00	100.00

The following table summarises the associates accounted for using the equity method of the Kutxabank Group and the Issuer's ownership of such companies as at 31 December 2020:

Name	Activity	Percentage of ownership		
		Direct	Indirect	Total
Agua y Gestión Servicios Ambientales, S.A. (****)	Water collection, treatment and distribution	-	23.20	23.20
Aguas de Bilbao, S.A. (***)	Water Services.	24.50	-	24.50
Altun Berri, S.L.	Hospitality management and operation.	50.00	-	50.00
Araba Logística, S.A.	Construction and operation of buildings for logistics activities	36.71	-	36.71
Baserri, S.A. (***)	No activity	33.38	-	33.38
Centro de Transportes de Vitoria, S.A.	Customs area CTV promotion and exploitation	27,67	-	27.67
Cienpозuelos Servicios Inmobiliarios I, S.L.	Property development	-	42.50	42.50
Cienpозuelos Servicios Inmobiliarios II, S.L.	Property development	-	42.50	42.50
Cienpозuelos Servicios Inmobiliarios III, S.L.	Property development	-	42.50	42.50
Cienpозuelos Servicios Inmobiliarios IV, S.L.	Property development	-	42.50	42.50
Cienpозuelos Servicios Inmobiliarios V, S.L.	Property development	-	42.50	42.50
Ekarken Private Equity, S.A.	Business development. Property development. Administration and capital management.	22.22	22.22	44.44
Gabialsur 2006, S.L. (***)	Business development. Property development. Property development.	-	50.00	50.00
Gestión Capital Riesgo País Vasco S.G.E.I.C., S.A.	Holding company.	10.00	10.00	20.00
Hazibide, S.A.	Business development. Property development. Administration and capital management.	34.88	-	34.88
Inverlur Aguilas I, S.L.	Business development. Property development. Property development.	-	50.00	50.00
Inverlur Aguilas II, S.L.	Holding company.	-	50.00	50.00
Inversiones Zubiatzu, S.A.	Business development. Property development. Administration and capital management.	20.27	-	20.27

Since 31 December 2020 to the date of the Prospectus there have not been changes to the tables above other than:

- On 21 January 2021, the Kutxabank Group acquired a 50% stake in the companies Los Jardines de Guadaira, S.L. and Los Jardines de Guadaira II Servicios Inmobiliarios, S.L., companies in which it previously already held 50 % of participation.
- On 7 May 2021, the Kutxabank Group established a new investee company, Kartera 4, S.L. (sole-shareholder company) in which it holds 100% of the share capital. The company's corporate purpose is the promotion, management and real estate development.
- Due to the biennial shareholding adjustment of the investee company Viacajas, S.A., on 11 May 2021, the Kutxabank Group has sold 2.53% of the shares of Sociedad Viacajas, S.A. owned by the Bank. The Kutxabank Group's current stake amounts to 38.96% of the company.

## CAPITAL STRUCTURE

Kutxabank's issued share capital as at the date of this Prospectus is EUR 2,060,000,000.00 represented by 2,000,000.00 registered shares of a single class, with a nominal value per ordinary share of EUR 1,030.00.

The table below sets out to the beneficial ownership of Kutxabank's shares:

<b>Shareholder</b>	<b>Number of shares beneficially owned</b>	<b>Per cent.</b>
BBK Banking Foundation	1,140,000	57%
Kutxa Banking Foundation	640,000	32%
Vital Banking Foundation	220,000	11%
<b>TOTAL</b>	<b>2,000,000.00</b>	<b>100%</b>

In order to limit the influence of the majority shareholder, the bylaws (*Estatutos Sociales*) of Kutxabank provide that passing the following resolutions in a General Shareholders' Meeting will require the favourable vote of a majority representing 59% of the subscribed share capital with voting rights: (i) share capital increase with full or partial exclusion of pre-emptive rights (subject to certain exceptions); (ii) share capital decreases; (iii) issuances of securities conferring the right to acquire or subscribe for shares; (iv) corporate transformation, merger, demerger, dissolution or transfer of all the company's assets and liabilities; (v) determination of the number of directors; and (vi) amendments to the bylaws (*Estatutos Sociales*).

As at the date of this Prospectus, Kutxabank is not aware of any arrangement which may result in a change of control in Kutxabank.

## CREDIT RATING

The Issuer has been assigned the following ratings by the following rating agencies:

<b>Agency</b>	<b>Modification date</b>	<b>Short-term rating</b>	<b>Long-term rating</b>	<b>Outlook</b>
Moody's	September 2019	P-2	Baa2	Stable
S&P	April 2020	A-2	BBB	Stable
Fitch	February 2021	F2	BBB+	Stable

Moody's, S&P and Fitch are established in the EU and are registered under the CRA Regulation. Moody's, S&P and Fitch appear on the latest update of the list of registered credit rating agencies (as at 7 May 2021) on the ESMA website.

## LEGAL AND ARBITRATION PROCEEDINGS

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position or profitability of the Kutxabank Group. Notwithstanding this, the members of the Kutxabank Group are, and in the future may, be involved in various claims, disputes, legal proceedings and governmental investigations.

### *IRPH potential litigation*

Various court proceedings and claims have been brought against the Group for the use of the Mortgage Loan Reference Index (IRPH) as the basis for determining the interest applicable to certain consumer mortgage loans. As at 31 December 2020, the Group had outstanding consumer mortgage loans linked to the IRPH, payment of which was up to date, amounting to approximately EUR 598.91 million, representing 1.83% of the outstanding balance of mortgage loans (EUR 679.18 million and 2.11%, respectively, as at 31 December 2019).

The legal issue relates to the transparency control based on Article 4.2 of Council Directive 93/13/EEC of 5 April 1993 in cases where the borrower is a consumer. Since the IRPH is the price of the agreement and is within the main purpose of the agreement, it must be drafted clearly and in an easily comprehensible language so that consumers can assess, based on clear and understandable criteria, the economic implications of the agreement for them.

The 669/2017 Spanish Supreme Court judgment of 14 December 2017 declared the IRPH was beyond transparency controls, thus maintaining its validity. However, the CJEU was requested to clarify whether the judgment complies with EU law. On 3 March 2020, the CJEU issued a ruling on the matter, drawing the following conclusions: (i) the ruling does not declare the mortgage price index clauses void but rather directs national courts to assess them to determine the transparency, understanding that such a contractual term not only must be formally and grammatically intelligible but must also enable an average consumer, who is reasonably well-informed and reasonably observant and circumspect, to be in a position to understand the specific functioning of the method used for calculating that rate and thus evaluate, on the basis of clear, intelligible criteria, the potentially significant economic consequences of such a term on his or her financial obligations; (ii) the CJEU goes ahead and pre-



emptively states that (a) the key aspects of the mortgage price index calculation are readily accessible to any person planning to arrange a mortgage loan as they are individualized in Circular 8/1990, which is in turn published in the Official State Journal; and that (b) the information provided to the consumer about past fluctuations of the benchmark index is particularly relevant for assessing the transparency of the contractual term; and (iii) in the event the national courts declare the mortgage price index invalid, given that such a decision would effectively annul the entire the contract to the detriment of the consumer, in the absence of agreement between the parties, the national courts can replace the index deemed unfair with a substitute index, specifically that stipulated in Spanish Law 14/2013 (the average of the savings bank and bank mortgage price index rates).

After the ECJ ruling, the Spanish Supreme Court, in plenary session, issued four sentences on 12 November 2020 (# 595, 596, 597 and 598) in which, applying the precedent set by the CJEU, it ruled that although the contested mortgage price index does not pass the transparency test when information has not been provided about the past performance of the index, that lack of transparency does not automatically mean that the term is unfair but rather opens prompts the need to analyse whether it is unfair, as it constitutes an essential aspect of the loan agreement. The Spanish Supreme Court found in those sentences that the mortgage price index term does pass the unfair term test as the fact of offering the index does not imply bad faith and its application and does not cause an imbalance in the parties' rights and obligations to the detriment of the consumer.

Kutxabank has not recognised any provision in connection with it.

#### *Clause relating to fees for debt claims*

In 2015, the Basque Country Consumers' and Users' Association (EKA/ACUV) brought a class action calling for (i) the clause relating to fees for debt claims established in certain Kutxabank Group agreements (loans, demand accounts and credit cards) to be rendered null and void and (ii) for the cessation of the charging of such fees (but not the refunding of the amounts already received). This class action was upheld at first instance and confirmed at second instance.

Subsequently, on 25 October 2019, the Spanish Supreme Court confirmed the prior judgments and declared that this specific clause is disproportionate and does not meet the Bank of Spain's requirements. Neither the judgment nor the process entail the automatic refund of amounts charged in the past due to application of the clause, although they do represent a precedent that is not yet case law, whereby consumers who consider themselves affected may make individual claims for refunds.

As at the date of this Prospectus the court claims filed are neither significant nor relevant in number. In view of the evolution of this litigation in 2019, the Group estimated the outcome of the claims and the associated cost thereof, and recognised a provision in this connection of EUR 1.56 million. Once considered both the pending claims and customer claim payments, no additional allocations were deemed necessary in 2020 nor in the six month-period ended 30 June 2021.

#### *Mortgage loan arrangement expenses*

Traditionally in the Spanish market mortgage loans agreements provided that borrowers were responsible for payment of mortgage origination fees, but that type of clauses were challenged by several consumer associations. The Spanish Supreme Court judgments of 23 January 2019, 26 October 2020 and 27 January 2021 finally established the effects of declaring null and void the clause attributing all the expenses and taxes to the borrower as follows:

- Notary's fees: the costs of executing the loan master deed and any amendments thereto must be shared equally.
- The costs of the cancellation deed must be assumed by the borrower, and those of the copies of the various deeds by the party that requested them.
- Registration fee: payable by the lender.
- Stamp tax (AJD): the court confirmed that the party liable for this tax (before entry into force of Royal Decree-Law 17/2018) is the borrower.
- Administrative services company expenses: assumed entirely by the lender.

- Appraisal expenses: correspond entirely to the lender until Law 5/2019 came into force, so as at the date of this Prospectus it corresponds entirely to the borrower.
- Lastly, a decision is being awaited regarding the prescription of the reimburse action to the expenses paid up by the borrowers.

Taking these judgments into account, the Group estimated the amounts it expects to have to pay as a result of current and envisaged claims and recognised a provision of EUR 13.55 million at 31 December 2020 (31 December 2019: EUR 23.78 million). As at 30 June 2021, the Group has increased its provisions for contingencies for products sold for a total amount of EUR 18 million. Among the main legal reasons for this increase, the one related to the mortgage formalization expenses stands out since the Spanish Supreme Court judgment of 27 January 2021 definitively resolved that -until Law 5/2019 came into force- appraisal expenses must be returned by the lenders.

#### *Floor clauses*

In 2013 the Spanish Supreme Court ruled that interest rate floor clauses of certain Spanish banks were null and void because the clauses had not been transparently commercialised. The Supreme Court considered that its 2013 ruling could not be retroactive and, thus, that the invalidity of these clauses should only have effects from 9 May 2013 onwards. However, in December 2016, the CJEU declared that the time limit for the invalidity effects of floor clauses included in mortgage loans in Spain was incompatible with Council Directive 93/13/EEC, of 5 April 1993, on unfair terms in consumer contracts, insofar as such time limit involves incomplete and insufficient consumer protection and it upheld full retroactive reimbursement in relation to floor clauses.

Following these various judgments in relation to the floor clauses included in consumer mortgage loans, the Group, after conducting an analysis of the portfolio of consumer mortgage loans containing floor clauses, recognised a provision of EUR 113 million in 2016, of which EUR 85 million were recognised with a charge to profit or loss for 2016, before considering the related tax effect, in order to cover any claims that might be made in the future.

The amount provisioned in relation to this contingency as at 30 June 2021 amounted to EUR 25.48 million (to EUR 26.83 million as at 31 December 2020 and to EUR 31.98 million as at 31 December 2019). If all the envisaged claims were to result in a loss for the Group, the maximum amount that it would have to pay out would be EUR 33.02 million.

## **OVERVIEW OF FINANCIAL INFORMATION**

The sections below contain financial information of Kutxabank extracted from their relevant financial statements, which have been prepared in accordance with IFRS-EU (the financial information as at, and for the year ended on, 31 December 2020 and 2019) and IFRS-EU, taking into account International Accounting Standard (IAS) 34, on Interim Financial Reporting (the financial information as at, and for the six month-period ended 30 June 2021).

Kutxabank publishes its stand-alone and consolidated financial statements as well as the half-year consolidated financial statements corresponding to the first six months of the year.

### **Financial information as at, and for the year ended on, 31 December 2020 and 2019**

The table below includes the consolidated balance sheets of the Kutxabank Group as at 31 December 2020 and 2019:

<i>ASSETS (EUR thousand)</i>	<b>2020</b>	<b>2019</b>
<b>Cash, cash balances at central banks and other demand deposits</b>	<b>6,988,147</b>	<b>5,611,843</b>
<b>Financial assets held for trading</b>	<b>77,954</b>	<b>80,534</b>
Derivatives	77,954	80,534
Equity instruments	-	-
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	-	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>66,870</b>	<b>74,817</b>

Equity instruments	39,055	40,515
Debt securities	25,145	31,632
Loans and advances	2,670	2,670
Central banks	-	-
Credit institutions	-	-
Customers	2,670	2,670
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	-	-
<b>Financial assets designated at fair value through profit or loss</b>	-	-
Debt securities	-	-
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	-	-
<b>Financial assets at fair value through other comprehensive income</b>	<b>6,117,410</b>	<b>5,536,060</b>
Equity instruments	1,900,809	1,797,480
Debt securities	4,216,601	3,738,580
Loans and advances	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	<i>1,161,465</i>	<i>1,569,678</i>
<b>Financial assets at amortized cost</b>	<b>46,260,533</b>	<b>43,668,366</b>
Debt securities	1,695,995	1,157,742
Loans and advances	44,564,538	42,510,624
Central banks	-	-
Credit institutions	305,533	614,430
Customers	44,259,005	41,896,194
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	<i>3,814,398</i>	<i>2,542,601</i>
<b>Derivatives – hedge accounting</b>	<b>81,878</b>	<b>100,570</b>
<b>Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	-	-
<b>Investments in joint ventures and associates</b>	<b>174,714</b>	<b>186,612</b>
Joint ventures	-	-
Associates	174,714	186,612
<b>Assets under reinsurance and insurance contracts</b>	<b>24,901</b>	<b>42,557</b>
Tangible assets	825,285	958,369
<b>Property, plant and equipment</b>	<b>688,784</b>	<b>806,466</b>
For own use	688,784	705,615
Leased out under an operating lease	-	100,851
<b>Investment property</b>	<b>136,501</b>	<b>151,903</b>
<i>Of which: leased out under an operating lease</i>	<i>80,201</i>	<i>98,218</i>
<i>Memorandum item: acquired under lease</i>	-	-
<b>Intangible assets</b>	<b>377,766</b>	<b>366,561</b>
Goodwill	301,457	301,457
Other intangible assets	76,309	65,104
<b>Tax assets</b>	<b>1,786,329</b>	<b>1,846,082</b>
Current tax assets	20,912	19,530
Deferred tax assets	1,765,417	1,826,552
<b>Other assets</b>	<b>219,450</b>	<b>238,953</b>
Insurance contracts linked to pensions	-	-
Inventories	102,215	104,610
Other	117,235	134,343
<b>Non-current assets and disposal groups classified as held for sale</b>	<b>778,293</b>	<b>869,010</b>
<b>TOTAL ASSETS</b>	<b>63,779,530</b>	<b>59,580,334</b>

**LIABILITIES AND EQUITY (EUR thousand)**

	<b>2020</b>	<b>2019</b>
<b>Financial liabilities held for trading</b>	<b>80,377</b>	<b>83,148</b>
Derivatives	80,377	83,148

Short positions	-	-
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
<b>Financial liabilities designated at fair value through profit or loss</b>	-	-
Deposits	-	-
Central banks	-	-
Credit institutions	-	-
Customers	-	-
Debt securities issued	-	-
Other financial liabilities	-	-
<i>Memorandum item: subordinated liabilities</i>	-	-
<b>Financial liabilities at amortized cost</b>	<b>55,437,045</b>	<b>51,634,558</b>
Deposits	52,184,167	48,036,556
Central banks	5,673,287	1,930,408
Credit institutions	154,535	350,237
Customers	46,356,345	45,755,911
Debt securities issued	2,832,773	3,144,417
Other financial liabilities	420,105	453,585
<i>Memorandum item: subordinated liabilities</i>	-	-
<b>Derivatives – hedge accounting</b>	<b>237,760</b>	<b>199,495</b>
<b>Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	-	-
<b>Liabilities under insurance and reinsurance contracts</b>	<b>618,226</b>	<b>610,695</b>
<b>Provisions</b>	<b>481,419</b>	<b>475,892</b>
Pensions and other post-employment defined benefit obligations	271,573	242,272
Other long-term employee benefits	57,315	57,005
Pending legal issues and tax litigation	609	657
Commitments and guarantees given	40,192	39,112
Other provisions	111,730	136,846
<b>Tax liabilities</b>	<b>419,087</b>	<b>345,782</b>
Current tax liabilities	20,776	5,317
Deferred tax liabilities	398,311	340,465
<b>Share capital repayable on demand</b>	-	-
<b>Other liabilities</b>	<b>217,897</b>	<b>226,263</b>
<b>Liabilities included in disposal groups classified as held for sale</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>57,491,811</b>	<b>53,575,833</b>
<b>EQUITY</b>		
<b>Shareholders' equity</b>	<b>5,626,450</b>	<b>5,431,123</b>
<b>Share capital</b>	<b>2,060,000</b>	<b>2,060,000</b>
Paid up capital	2,060,000	2,060,000
Unpaid capital which has been called up	-	-
<i>Memorandum item: uncalled capital</i>	-	-
<b>Share premium</b>	-	-
<b>Equity instruments issued other than capital</b>	-	-
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
<b>Other equity items</b>	-	-
<b>Retained earnings</b>	<b>996,498</b>	<b>777,365</b>
<b>Revaluation reserves</b>	-	-
<b>Other reserves</b>	<b>2,389,693</b>	<b>2,375,122</b>
Reserves or accumulated losses of investments in joint ventures		

and associates	(14,004)	(13,506)
Other	2,403,697	2,388,628
<b>(-) Treasury shares</b>	-	-
<b>Profit attributable to owners of the Parent</b>	<b>180,259</b>	<b>352,165</b>
<b>(-) Interim dividends</b>	-	<b>(133,529)</b>
Accumulated other comprehensive income	650,710	561,460
Items that will not be reclassified to profit or loss	498,909	413,943
Actuarial gains or (-) losses on defined benefit pension plans	(62,957)	(57,422)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognized income and expense of investments in joint ventures and associates	(24)	(29)
Fair value changes of equity instruments measured at fair value through other comprehensive income	561,890	471,394
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
<b>Items that may be reclassified to profit or loss</b>	<b>151,801</b>	<b>147,517</b>
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	-	-
Hedging derivatives. Cash flow hedges reserve [effective portion]	(5,840)	(7,331)
Fair value changes of debt instruments measured at fair value through other comprehensive income	157,624	154,872
Hedging instruments [not designated elements]	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in joint ventures and associates	17	(24)
<b>Minority interests [non-controlling interests]</b>	<b>10,559</b>	<b>11,918</b>
Accumulated other comprehensive income	6	2,096
Other items	10,553	9,822
<b>TOTAL EQUITY</b>	<b>6,287,719</b>	<b>6,004,501</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>63,779,530</b>	<b>59,580,334</b>
<b>Loan commitments given</b>	<b>6,932,184</b>	<b>5,761,408</b>
<b>Financial guarantees given</b>	<b>404,628</b>	<b>414,479</b>
<b>Other commitments given</b>	<b>2,991,600</b>	<b>3,011,521</b>

The loans and advances to customers amounted to EUR 44,259 million as at 31 December 2020, which represented a year-on-year increase of 5.6% compared to 31 December 2019. This increase was mainly due to "Other term debtors" in the private sector and the "Public Sector", headings boosted that year by the significant activity in supporting companies and the public sector to soften as far as possible the negative effects of the pandemic on their liquidity situation. Mortgage loans to clients, which accounted for 74.09% of the Bank's loans to clients as at 31 December 2020 (76.94% as at 31 December 2019) and is the cornerstone of its core business. The positive evolution of this item was possible, despite the halt in activity caused by the pandemic, due to the strong pace of new mortgage lending in the second half of the year, driven by the intense commercial activity maintained by the Kutxabank Group.

Customer deposits (excluding covered bonds) recorded a growth of 1.5%, supported by the performance of the public sector (which increased a 21.3%) and the performance of demand deposits (which increased a 7.5%). This offset the fall in on-balance sheet deposits due to the now customary decline in time deposits (which decreased a 13.5%) and the impact generated by the transfer of positions linked to the depositary business of mutual funds, pension plans and EPSVs to Cecabank, S.A.

The table below includes the consolidated profit and loss account of the Kutxabank Group as at 31 December 2020 and 2019:

(EUR thousand)

	<b>2020</b>	<b>2019</b>
<b>Interest income</b>	<b>638,810</b>	<b>654,148</b>
<i>Financial assets at fair value through other comprehensive income</i> <i>Financial assets at amortised cost</i>	54,391	60,813
Other interest income	550,084	580,245
<b>Interest expenses</b>	<b>34,335</b>	<b>13,090</b>
<b>Expenses on share capital repayable on demand</b>	<b>(72,383)</b>	<b>(85,576)</b>
<b>Gastos por capital social reembolsable a la vista</b>	<b>-</b>	<b>-</b>
<b>NET INTEREST INCOME</b>	<b>566,427</b>	<b>568,572</b>
<b>Dividend income</b>	<b>60,613</b>	<b>60,957</b>
<b>Share of the profit or loss of entities accounted for using the equity method</b>	<b>4,248</b>	<b>4,759</b>
<b>Fee and commission income</b>	<b>423,197</b>	<b>432,492</b>
<b>Fee and commission expenses</b>	<b>(35,300)</b>	<b>(37,965)</b>
<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>4,245</b>	<b>7,787</b>
Financial assets at amortised cost	3,496	3,677
Other financial assets and liabilities	749	4,110
<b>Gains or losses on financial assets and liabilities held for trading, net</b>	<b>1,446</b>	<b>1,137</b>
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	1,446	1,137
<b>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net</b>	<b>(5,428)</b>	<b>(7,448)</b>
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	(5,428)	(7,448)
Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net	-	-
Gains or losses from hedge accounting, net	-	-
Exchange differences (gain or loss), net	501	5
Other operating income	186,739	58,755
Other operating expenses	(124,988)	(116,292)
Income from assets under insurance and reinsurance contracts	222,924	222,167
Expenses of liabilities under insurance and reinsurance contracts	(100,580)	(108,283)
<b>GROSS INCOME</b>	<b>1,204,044</b>	<b>1,086,643</b>
<b>Administrative expenses:</b>	<b>(578,249)</b>	<b>(600,439)</b>
Staff costs	(422,212)	(428,532)
Other administrative expenses	(156,037)	(171,907)
<b>Depreciation and amortisation charge</b>	<b>(61,188)</b>	<b>(59,220)</b>
<b>Provisions or reversal of provisions</b>	<b>(111,897)</b>	<b>(43,449)</b>
<b>Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss and modification gains or losses, net</b>	<b>(160,027)</b>	<b>(4,968)</b>
Financial assets at fair value through other comprehensive income	(676)	(578)
Financial assets at amortised cost	(159,351)	(4,390)
<b>Impairment or reversal of impairment of investments in joint ventures and associates</b>	<b>(2,100)</b>	<b>2,967</b>
Impairment or reversal of impairment on non-financial assets	5,466	(10,358)
Tangible assets	9,633	(5,066)
Intangible assets	-	-
Other	(4,167)	(5,292)
<b>Gains or losses on derecognition of non-financial assets, net</b>	<b>1,676</b>	<b>94,613</b>
<b>Negative goodwill recognised in profit or loss</b>	<b>-</b>	<b>-</b>
<b>Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations</b>	<b>(62,877)</b>	<b>(52,791)</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>234,848</b>	<b>412,998</b>
<b>Tax expense or income related to profit or loss from continuing operations</b>	<b>(52,789)</b>	<b>(59,410)</b>

<b>PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>182,059</b>	<b>353,588</b>
<b>Profit or loss after tax from discontinued operations</b>	-	-
<b>PROFIT FOR THE YEAR</b>	<b>182,059</b>	<b>353,588</b>
<b>Attributable to minority interests (non-controlling interests)</b>	<b>1,800</b>	<b>1,423</b>
<b>Attributable to owners of the Parent</b>	<b>180,259</b>	<b>352,165</b>

In the year ended 31 December 2020 the Group obtained net income<sup>29</sup> of EUR 180.26 million (EUR 352.17 million in the one-year period ended 31 December 2019). The net interest income of the Group for the one-year period ended 31 December 2020 amounted to EUR 566.43 million (EUR 568.57 million for the one-year period ended 31 December 2019) and the net commissions<sup>30</sup> reached EUR 387.90 million during that one-year period (EUR 394.53 million during the one-year period ended 31 December 2019), 58% of which derives from asset management services, 14% from payment services, 26% from other products and another 2% from other sources (for the one-year period ended 31 December 2020, the net commissions represented 0.60% of the total assets). The above resulted in a Basic Margin<sup>31</sup> of EUR 954.32 million for the one-year period ended 31 December 2020 (EUR 963.10 million for the one-year period ended 31 December 2019). The income from the insurance business<sup>32</sup> reached EUR 122.62 million during the one-year period ended 31 December 2020 (EUR 114.14 million during the one-year period ended 31 December 2019). Trading income<sup>33</sup> amounted only to EUR 0.76 million during the one-year period ended 31 December 2020 (EUR 1.48 million during the one-year period ended 31 December 2019).

The Kutxabank Group started 2020 with momentum fuelled by intense commercial activity, nevertheless, the paralysis caused by the COVID-19 pandemic and the resulting state of alarm marked the Group's 2020 earnings. However, despite the persistence of the crisis and its uncertainty, it is worth highlighting, particularly in the second half of the year, a number of signs of recovery, including financial market performance and the trend in mortgage volumes.

Despite the impact of the pandemic on customer activity, the recovery of the markets in the last quarter of the year, accompanied by intense commercial activity in the area of off-balance sheet funds, the increase in revenues linked to means of payment, which had a year-on-year increase of 6.8%, and the insurance contribution through Other Operating Income with a year-on-year increase of 7.4%, enabled the recovery, especially in the second part of the year. In general terms, despite the crisis, in the one-year period ended 31 December 2020, the pure core

<sup>29</sup> "Net income" as used throughout the Prospectus means the "Profit for the year attributable to owners of the Parent".

<sup>30</sup> In the "Glossary" attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the "Glossary" attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the "Glossary attached to the Director's Report" of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements "Net commissions" is referred to as "Net fee and commission income" or "service income".

<sup>31</sup> In the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements "Basic Margin" is referred to as "Net income from transactions with customers".

<sup>32</sup> "Insurance business" is an APM, the definition, explanation, use and reconciliation of which is set out in the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>33</sup> In the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements "Trading income" is referred to as "Net gains / losses on financial assets and liabilities and exchange differences".

banking business income<sup>34</sup> remained stable and represented 89.44% of the gross income for the referred period (99.13% for the one-year period ended 31 December 2019).

The increase in the "Other Operating Income" item is mainly due to a particular transaction consisting in a transfer of assets to Cecabank, S.A. (with an agreed consideration of EUR 147.50 million) within the framework of a strategic mediation alliance reached with that entity.

The reduction of the operating expenses<sup>35</sup> (from EUR 659.66 million in the one-year period ended 31 December 2019 to EUR 639.44 million in the one-year period ended 31 December 2020) resulting from the Group's policy of cost containment and optimisation of resources and efficiency management also contributed to these results, with a ratio of Basic Margin<sup>36</sup> to operating expenses<sup>37</sup> of 149.24% (a growth of three basis points from the year ended 31 December 2019).

For that one year-period the Return on Assets<sup>38</sup> was 0.29% (a decrease of 30 basis points from the year ended 31 December 2019), the Return on Equity<sup>39</sup> was 3.24% (a decrease of 327 basis points from the year ended 31 December 2019), the Return on Tangible Equity<sup>40</sup> was 3.47% (a decrease of 351 basis points from the year ended 31 December 2019) and a Return on Risk-Weighted Assets<sup>41</sup> of 0.60% (a decrease of 57 basis points from the year ended 31 December 2019).

In spite of the fact that the crisis unleashed by the pandemic, particularly during the toughest months of lockdown, adversely affected household activity, during the year ended 31 December 2020 the commercial activity in all

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<sup>34</sup> "Core banking business income" is an APM, the definition, explanation, use and reconciliation of which is set out in the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>35</sup> "Operating expenses" is an APM, the definition, explanation, use and reconciliation of which is set out in the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>36</sup> In the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements "Basic Margin" is referred to as "Net income from transactions with customers".

<sup>37</sup> "Operating expenses" is an APM, the definition, explanation, use and reconciliation of which is set out in the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>38</sup> "Return on Assets (RoA)" is an APM, the definition, explanation, use and reconciliation of which is set out in the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>39</sup> "Return on Equity (RoE)" is an APM, the definition, explanation, use and reconciliation of which is set out in the Glossary attached to the Director's Report of the directors' report of the 2020 Consolidated Financial Statements, in the Glossary attached to the Director's Report of the directors' report of the 2019 Consolidated Financial Statements and in the Glossary attached to the Director's Report of the directors' report of the 2021 Consolidated First Semester Interim Financial Statements.

<sup>40</sup> "Return on Tangible Equity" is an APM, the definition, explanation, use and reconciliation of which is set out in "Alternative Performance Measures".

<sup>41</sup> Return on Risk-Weighted Assets is an APM, the definition, explanation, use and reconciliation of which is set out in "Alternative Performance Measures".



segments and products resulted in a year-on-year growth of credit to clients<sup>42</sup> of 5.6% and of assets under management of 8.8%. In that sense, in the second half of the year, the Kutxabank Group managed, thanks to intense commercial activity, to revive mortgage loan arrangement volumes in its retail channels, ending the year with a grant volume of EUR 3,535.4 million, a growth of 9.7% from 2019.

As for provisions, the increase in 2020 is mainly due to impairments in credit to clients and to those related to an early retirement plan that was implemented.

#### *Liquidity and funding*

As at 31 December 2020 the Group covered 11.22 times its debt maturities in the next 12 months (9.65 times in average during 2019) and 2.38 times in the next three years, and the Loan to Deposits Ratio<sup>43</sup> of the Group was 96.99%.

The Group currently complies with its liquidity regulatory requirements (please see "*Capital, Liquidity and Funding Requirements and Loss Absorbing Regulations – Capital, liquidity and funding requirements – Capital requirements*") and had a LCR (as defined in "*Risk Factors Risks – Relating to the Issuer – Legal, regulatory and compliance risks – Capital, liquidity and funding requirements*" section) buffer to debt maturities in the next 12 months of 10.2 times in average during 2020, 6.7 times as at 31 December 2020. As at 31 December 2020, the liquidity buffer of the Group (as defined in Commission Delegated Regulation (EU) 2015/61 of 10 October 2014) was EUR 10,727.25 million (EUR 9,007.50 million as at 30 June 2021).

The main sources of liquidity of the Group are deposits which represent 93.96% of its total funding<sup>44 45</sup> as at 31 December 2020, being the remaining 6.06% mainly covered bonds (on average, this remaining wholesale markets funding represented 5.33% of the total funding<sup>46</sup> in the one-year period ended 31 December 2020 (with the adjusted ECB funding<sup>47</sup> representing 0.00% of the total assets in average during that year)).

#### **Financial information as at, and for the six month-period ended 30 June 2021**

The table below includes the consolidated balance sheet of the Kutxabank Group as at 30 June 2021:

ASSETS (EUR thousand)	30/06/2021	31/12/2020
<b>Cash, cash balances at central banks and other demand deposits</b>	<b>4,773,161</b>	<b>6,988,147</b>
<b>Financial assets held for trading</b>	<b>62,285</b>	<b>77,954</b>
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	-	-
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>60,598</b>	<b>66,870</b>
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	-	-
<b>Financial assets designated at fair value through profit or loss</b>	-	-
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	-	-
<b>Financial assets at fair value through other comprehensive income</b>	<b>6,325,593</b>	<b>6,117,410</b>
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	1,488,033	1,161,465
<b>Financial assets at amortised cost</b>	<b>49,877,443</b>	<b>46,260,533</b>
<i>Memorandum item: loaned or advanced as collateral with right to sell or pledge</i>	4,854,035	3,814,398

<sup>42</sup> Credit to clients is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".

<sup>43</sup> "Loan to Deposits Ratio" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>44</sup> "Deposits" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>45</sup> "Total funding" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>46</sup> "Total funding" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Description of the Issuer—Alternative Performance Measures*".

<sup>47</sup> "Adjusted ECB funding" is an APM, the definition, explanation, use and reconciliation of which is set out in "*Alternative Performance Measures*".

<i>ASSETS (EUR thousand)</i>	<b>30/06/2021</b>	<b>31/12/2020</b>
<b>Derivatives – hedge accounting</b>	<b>75,470</b>	<b>81,878</b>
<b>Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	-	-
<b>Investments in joint ventures and associates</b>	<b>173,811</b>	<b>174,714</b>
Joint ventures	-	-
Associates	173,811	174,714
<b>Assets under reinsurance and insurance contracts</b>	<b>25,777</b>	<b>24,901</b>
<b>Tangible assets</b>	<b>808,187</b>	<b>825,285</b>
Property, plant and equipment	674,073	688,784
For own use	674,073	688,784
Leased out under an operating lease	-	-
Investment property	134,114	136,501
<i>Of which: leased out under an operating lease</i>	<i>75,326</i>	<i>80,201</i>
<i>Memorandum item: acquired under lease</i>	-	-
<b>Intangible assets</b>	<b>377,727</b>	<b>377,766</b>
Goodwill	301,457	301,457
Other intangible assets	76,270	76,309
<b>Tax assets</b>	<b>1,768,430</b>	<b>1,786,329</b>
Current tax assets	24,254	20,912
Deferred tax assets	1,744,176	1,765,417
<b>Other assets</b>	<b>201,055</b>	<b>219,450</b>
Insurance contracts linked to pensions	-	-
Inventories	98,906	102,215
Other	102,149	117,235
<b>Non-current assets and disposal groups classified as held for sale</b>	<b>613,867</b>	<b>778,293</b>
<b>TOTAL ASSETS</b>	<b>65,143,404</b>	<b>63,779,530</b>

<i>LIABILITIES AND EQUITY (EUR thousand)</i>	<b>30/06/2021</b>	<b>31/12/2020</b>
<b>Financial liabilities held for trading</b>	<b>66,286</b>	<b>80,377</b>
<b>Financial liabilities designated at fair value through profit or loss</b>	-	-
<i>Memorandum item: subordinated liabilities</i>	-	-
<b>Financial liabilities at amortised cost</b>	<b>56,743,169</b>	<b>55,437,045</b>
<i>Memorandum item: subordinated liabilities</i>	-	-
<b>Derivatives – hedge accounting</b>	<b>378,087</b>	<b>237,760</b>
<b>Fair value changes of the hedged items in portfolio hedge of interest rate risk</b>	-	-
<b>Liabilities under insurance and reinsurance Contracts</b>	<b>619,369</b>	<b>618,226</b>
<b>Provisions</b>	<b>430,325</b>	<b>481,419</b>
Pensions and other post-employment defined benefit obligations	220,223	271,573
Other long-term employee benefits	55,762	57,315
Pending legal issues and litigation	-	609
Commitments and guarantees given	40,252	40,192
Other provisions	114,088	111,730
<b>Tax liabilities</b>	<b>388,342</b>	<b>419,087</b>
Current tax liabilities	43,882	20,776
Deferred tax liabilities	344,460	398,311
<b>Share capital repayable on demand</b>	-	-
<b>Other liabilities</b>	<b>190,641</b>	<b>217,897</b>
<b>Liabilities included in disposal groups classified as held for sale</b>	-	-
<b>TOTAL LIABILITIES</b>	<b>58,816,219</b>	<b>57,491,811</b>
<b>EQUITY</b>		
<b>Shareholders' equity</b>	<b>5,724,918</b>	<b>5,626,450</b>
<b>Share capital</b>	2,060,000	2,060,000
Paid up capital	2,060,000	2,060,000
Unpaid capital which has been called up	-	-

<b>LIABILITIES AND EQUITY</b> (EUR thousand)	<b>30/06/2021</b>	<b>31/12/2020</b>
<i>Memorandum item: uncalled capital</i>	-	-
Share premium	-	-
Equity instruments issued other than capital	-	-
Equity component of compound financial instruments	-	-
Other equity instruments issued	-	-
Other equity items	-	-
Retained earnings	1,147,918	996,498
Revaluation reserves	-	-
Other reserves	2,391,532	2,389,693
(-) Treasury shares	-	-
Profit attributable to owners of the Parent	125,468	180,259
(-) Interim dividends	-	-
<b>Accumulated other comprehensive income</b>	<b>592,678</b>	<b>650,710</b>
<b>Items that will not be reclassified to profit or loss</b>	<b>470,999</b>	<b>498,909</b>
Actuarial gains or (-) losses on defined benefit Pension plans	(59,167)	(62,957)
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in joint ventures and associates	(32)	(24)
Fair value changes of equity instruments measured at fair value through other comprehensive income	530,198	561,890
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedged item]	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income [hedging instrument]	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	-	-
<b>Items that may be reclassified to profit or loss</b>	<b>121,679</b>	<b>151,801</b>
Hedge of net investments in foreign operations [effective portion]	-	-
Foreign currency translation	-	-
Hedging derivatives, Cash flow hedges reserve [effective portion]	(20,698)	(5,840)
Fair value changes of debt instruments measured at fair value through other comprehensive income	142,388	157,624
Hedging instruments [not designated elements]	-	-
Non-current assets and disposal groups classified as held for sale	-	-
Share of other recognised income and expense of investments in joint ventures and associates	(11)	17
<b>Minority interests [non-controlling interests]</b>	<b>9,589</b>	<b>10,559</b>
Accumulated other comprehensive income	82	6
Other items	9,507	10,553
<b>TOTAL EQUITY</b>	<b>6,327,185</b>	<b>6,287,719</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>65,143,404</b>	<b>63,779,530</b>
<b>MEMORANDUM ITEMS: OFF-BALANCE-SHEET EXPOSURES</b>		
<b>Loan commitments given</b>	<b>7,194,919</b>	<b>6,932,184</b>
<b>Financial guarantees given</b>	<b>409,940</b>	<b>404,628</b>
<b>Other commitments given</b>	<b>2,978,288</b>	<b>2,991,600</b>

The table below includes the consolidated statement of profit or loss of the Kutxabank Group for the six month-period ended 30 June 2021:

	<b>30/06/2021</b>	<b>30/06/2020</b>
<b>Interest income</b>	<b>306,812</b>	<b>306,956</b>
Financial assets at fair value through other comprehensive income	23,223	28,104
Financial assets at amortised cost	249,995	273,246
Other interest income	33,594	5,606
<b>Interest expenses</b>	<b>(30,973)</b>	<b>(34,379)</b>
<b>Expenses on share capital repayable on demand</b>	<b>-</b>	<b>-</b>
<b>NET INTEREST INCOME</b>	<b>275,839</b>	<b>272,577</b>
<b>Dividend income</b>	<b>33,480</b>	<b>35,203</b>
<b>Share of the profit or loss of entities accounted for using the equity method</b>	<b>1,647</b>	<b>1,802</b>
<b>Fee and commission income</b>	<b>237,276</b>	<b>203,964</b>
<b>Fee and commission expenses</b>	<b>(16,435)</b>	<b>(16,952)</b>

<b>Gains or losses on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net</b>	<b>(608)</b>	<b>(247)</b>
Financial assets at amortised cost	(632)	(247)
Other financial assets and liabilities	24	-
<b>Gains or losses on financial assets and liabilities held for trading, net</b>	<b>1,169</b>	<b>(738)</b>
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	1,169	(738)
<b>Gains or losses on non-trading financial assets mandatorily at fair value through profit or loss, net</b>	<b>(1,920)</b>	<b>(3,530)</b>
Reclassification of financial assets out of fair value through other comprehensive income	-	-
Reclassification of financial assets out of amortised cost	-	-
Other gains or losses	(1,920)	(3,530)
<b>Gains or losses on financial assets and liabilities designated at fair value through profit or loss, net</b>	<b>-</b>	<b>-</b>
<b>Gains or losses from hedge accounting, net</b>	<b>-</b>	<b>-</b>
<b>Exchange differences, net</b>	<b>778</b>	<b>325</b>
<b>Other operating income</b>	<b>18,642</b>	<b>166,906</b>
<b>Other operating expenses</b>	<b>(43,128)</b>	<b>(41,358)</b>
<b>Income from assets under insurance and reinsurance contracts</b>	<b>120,175</b>	<b>109,502</b>
<b>Expenses of liabilities under insurance and reinsurance contracts</b>	<b>(52,595)</b>	<b>(49,499)</b>
<b>GROSS INCOME</b>	<b>574,320</b>	<b>677,955</b>
<b>Administrative expenses</b>	<b>(276,859)</b>	<b>(288,562)</b>
Staff costs	(204,015)	(212,081)
Other administrative expenses	(72,844)	(76,481)
<b>Depreciation and amortisation charge</b>	<b>(18,509)</b>	<b>(27,824)</b>
<b>Provisions or reversal of provisions</b>	<b>(11,177)</b>	<b>(47,900)</b>
<b>Impairment or reversal of impairment and gains or losses due to modifications of cash flows on financial assets not measured at fair value through profit or loss and modification gains or losses, net</b>	<b>(73,782)</b>	<b>(100,957)</b>
Financial assets at fair value through other comprehensive income	(530)	(82)
Financial assets at amortised cost	(73,252)	(100,875)
<b>Impairment or reversal of impairment of investments in joint ventures and associates</b>	<b>(532)</b>	<b>(30)</b>
<b>Impairment or reversal of impairment on non-financial assets</b>	<b>(10,390)</b>	<b>(4,927)</b>
Tangible assets	(5,756)	(3,367)
Intangible assets	-	-
Other	(4,634)	(1,560)
<b>Gains or losses on derecognition of non-financial assets, net</b>	<b>2,752</b>	<b>1,230</b>
<b>Negative goodwill recognised in profit or loss</b>	<b>-</b>	<b>-</b>
<b>Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations</b>	<b>(19,605)</b>	<b>(28,382)</b>
<b>PROFIT OR LOSS BEFORE TAX FROM CONTINUING OPERATIONS</b>	<b>166,218</b>	<b>180,603</b>
<b>Tax expense or income related to profit or loss from continuing operations</b>	<b>(39,536)</b>	<b>(42,384)</b>
<b>PROFIT OR LOSS AFTER TAX FROM CONTINUING OPERATIONS</b>	<b>126,682</b>	<b>138,219</b>
<b>Profit or loss after tax from discontinued operations</b>	<b>-</b>	<b>-</b>
<b>PROFIT FOR THE PERIOD</b>	<b>126,682</b>	<b>138,219</b>
<b>Attributable to minority interests (non-controlling interests)</b>	<b>1,214</b>	<b>615</b>
<b>Attributable to owners of the Parent</b>	<b>125,468</b>	<b>137,604</b>

## Alternative Performance Measures

This Prospectus (and the documents incorporated by reference in this Prospectus) contains certain management measures of performance or APMs, which are used by management to evaluate the Kutxabank Group's overall performance, financial position or liquidity. These measures are used in the Bank's planning, operational and financial decision-making and are commonly used in the finance sector as indicators to monitor institutions' assets, liabilities and economic/financial positions.

These APMs are not audited, reviewed or subject to review by Kutxabank's auditors and are not measures required by, or presented in accordance with, IFRS-EU. Many of these APMs are based on Kutxabank's internal estimates, assumptions and calculations. Accordingly, investors are cautioned not to place undue reliance on these APMs.

Furthermore, these APMs, as used by Kutxabank, may not be comparable to other similarly titled measures used by other companies. Investors should not consider such APMs in isolation, as alternatives to the information calculated in accordance with IFRS-EU, as indications of operating performance or as measures of the Kutxabank Group's profitability or liquidity. Such APMs must be considered only in addition to, and not as a substitute for

or superior to, financial information prepared in accordance with IFRS-EU and investors are advised to review these APMs in conjunction with the financial statements incorporated by reference in this Prospectus.

Kutxabank believes that the description of these APMs in this Prospectus follows and complies with the "ESMA Guidelines on Alternative Performance Measures" dated 5 October 2015.

**Adjusted ECB funding:** This measure facilitates monitoring the degree of dependence to this funding source.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million)</i>	<b>December 2019</b>
	Deposits with Central Banks	6,213.56	5,673.29	1,930.41
Minus	Cash balances	4,101.13	6,320.05	4,929.98
<b>Net ECB funding</b>		<b>2,112.43</b>	<b>-646.76</b>	<b>-2,999.57</b>
<b>Adjusted ECB funding</b>		<b>2,112.43</b>	<b>0.00</b>	<b>0.00</b>

**Cash Balances:** this measure shows the available unencumbered cash and central Banks balances.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million)</i>	<b>December 2019</b>
	Cash, cash balances at central banks and other demands deposits	4,769.47	6,987.48	5,606.69
Minus	Reserve requirements	463.89	454.02	435.15
Minus	Other demand deposits	204.45	213.41	241.56
<b>Cash Balances</b>		<b>4,101.13</b>	<b>6,320.05</b>	<b>4,929.98</b>

**Commissions and income generated by the insurance business to total income:** this measure shows the percentage of the Group's regular financial activities income that comes from complementary income sources other than the Net Interest Income.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million, except %)</i>	<b>December 2019</b>
Numerator	Net fee and commission income	220.84	387.90	394.53
	Plus Income from assets under insurance or reinsurance contracts	120.18	222.92	222.17
	Minus Expenses of liabilities from assets under insurance or reinsurance contracts	52.60	100.58	108.28
	Plus Other operating income from assets under insurance or reinsurance contracts	0.15	0.28	0.26
Denominator	Net interest income	275.84	566.43	568.57
	Plus Net commissions	220.84	387.90	394.53
	Plus Income/Expenses from assets under insurance or reinsurance contracts	67.73	122.62	114.14
<b>Commissions and income generated by the insurance business to total income</b>		<b>51.13%</b>	<b>47.40%</b>	<b>47.22%</b>

**Cost of credit risk:** the cost of risk is one of the main indicators used by the Group to monitor the status and evolution of the quality of credit risk incurred with customers and to assess the management of that risk.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million, except %)</i>	<b>December 2019</b>
Numerator	Sum of the Loan-loss provisions of the last four quarters	131.73	159.35	4.39
Denominator	Gross loans and advances to customers. Simple average of the last four quarters	45,793.30	44,246.09	42,910.83
<b>Cost of credit risk</b>		<b>0.29%</b>	<b>0.36%</b>	<b>0.01%</b>

**Coverage of the acquired or repossessed assets:** this indicator shows the level of coverage of the acquired and repossessed assets and, therefore, the net exposure to them (once provisions are deducted from the gross value of

the exposure) and the evolution of the quality of credit risk incurred with customers. It also helps to assess the management of that risk.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million, except %)</i>	
Numerator	Write-downs associated with acquired assets	677.45	690.38	672.19
Denominator	Gross value of acquired assets	1,328.71	1,410.91	1,481.69
<b>Coverage of the acquired or repossessed assets</b>		<b>50.99%</b>	<b>48.93%</b>	<b>45.37%</b>

**Credits to clients:** This APM shows the loan and advances to customers

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million)</i>	
	Loans and advances to customers under non-trading financial assets mandatorily at fair value through profit or loss	0.00	2.67	2.67
Plus	Loans and advances to customers under financial assets at amortised cost	47,297.86	44,259.01	41,896.19
<b>Credit to clients</b>		<b>47,297.86</b>	<b>44,261.68</b>	<b>41,898.86</b>

**Deposits:** this APM shows the customers deposits.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million)</i>	
	Deposits to customers	47,990.46	46,356.35	45,755.91
Minus	Single mortgage-backed bonds	893.60	901.92	1,015.29
<b>Deposits</b>		<b>47,096.86</b>	<b>45,454.43</b>	<b>44,740.62</b>

**Fixed income securities:** Fixed income securities held by the parent company, Kutxabank, and the subsidiary, Cajasur.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million)</i>	
	Fixed Income securities held by the parent company, Kutxabank S.A. (the bank)	5,242.38	4,539.47	3,565.78
Plus	Fixed Income securities held by the subsidiary Cajasur S.A.U.	600.34	578.20	600.86
<b>Fixed Income securities</b>		<b>5,842.72</b>	<b>5,117.68</b>	<b>4,166.64</b>

**Loan to Deposit (LtD) Ratio:** credit loans in respect of deposits. This is one of the most relevant liquidity indicators in the banking sector and it shows the ability of the entity to finance the loans to customers with the funds obtained from these ones.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million, except %)</i>	
Numerator	Customer loans	47,316.38	44,268.55	41,728.87
	Minus Those already mobilised into asset-backed securities placed on the market	125.57	138.65	227.11
Denominator	Deposits to customers	47,987.41	46,403.33	45,801.73
	Minus Single mortgage-backed bonds	893.60	901.92	1,015.29
<b>LtD Ratio</b>		<b>100.21%</b>	<b>96.99%</b>	<b>92.67%</b>

**Real estate and developers credit exposure:** this APM is used by the Group to measure the risk towards real estate sector.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million)</i>	<b>December 2019</b>
	Financing for real estate construction and development	593.27	627.51	742.31
Minus	Write-downs associated with loans to Real Estate and developers	112.29	89.67	79.55
<b>Real estate and developers credit exposure</b>		<b>480.98</b>	<b>537.84</b>	<b>662.76</b>

**Return on Risk-Weighted Assets (RORWA):** this ratio is used by the Group to measure the return obtained on its risk-weighted assets.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million, except %)</i>	<b>December 2019</b>
Numerator	Net income (sum of the last four quarters)	168.12	180.26	352.17
Denominator	Total average consolidated Risk-Weighted assets. (simple average of the last four quarters)	30,426.18	30,240.01	30,228.10
<b>Return on Risk-Weighted Assets</b>		<b>0.55%</b>	<b>0.60%</b>	<b>1.17%</b>

**Return on Tangible Equity (ROTE):** this ratio is used by the Group to measure the return obtained on its tangible equity.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million, except %)</i>	<b>December 2019</b>
Numerator	Net income (sum of the last four quarters)	168.12	180.26	352.17
Denominator	Total average consolidated Tangible equity (simple average of the last four quarters)	5,264.07	5,191.89	5,044.53
<b>Return on Tangible Equity</b>		<b>3.19%</b>	<b>3.47%</b>	<b>6.98%</b>

**Sovereign risk exposure:** this measure shows the exposure of the Issuer to the sovereign risk.

		<b>June 2021</b>	<b>December 2020</b> <i>(€ million)</i>	<b>December 2019</b>
	Debt securities issued by Spanish Public Administration held in Financial assets at fair value through other comprehensive income	3,589.95	3,374.49	3,087.22
	Debt securities issued by Foreign Public Administration held in Financial assets at fair value through other comprehensive income	299.16	303.21	296.43
Plus	Debt securities issued by Spanish Public Administration held in Financial assets at amortised cost	922.48	827.90	505.62
Plus	Debt securities issued by Foreign Public Administration held in Financial assets at amortised cost	704.90	353.98	208.36
<b>Sovereign risk exposure</b>		<b>5,516.48</b>	<b>4,859.58</b>	<b>4,097.62</b>

**Texas ratio:** this ratio shows the non-performing assets in respect to the bank's tangible equity and its provisions. This ratio assesses a bank's financial position and indicates the proportion of non-performing assets in relation to the resources the bank may need to cover potential losses on those assets.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million, except %)</i>	
Numerator	Impaired assets loans and advances to customers	983.68	1,099.23	1,344.51
	Plus Acquired/foreclosed assets	1,328.71	1,410.91	1,481.69
Denominator	Equity	6,327.19	6,287.72	6,004.50
	Minus Intangible assets	377.73	377.77	366.56
	Plus Impairment losses and provisions for credit risks, including contingents	766.70	761.05	760.24
	Plus Write-downs associated with Acquired/foreclosed assets	677.45	690.38	672.19
<b>Texas ratio</b>		<b>31.28%</b>	<b>34.10%</b>	<b>39.97%</b>

**Total funding:** This APM shows the funding sources of the Group.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million)</i>	
	Deposits to customers	47,990.46	46,356.35	45,755.91
Minus	Single mortgage-backed bonds	860.23	860.23	944.20
Plus	Wholesale market funding (including Deposits from Central Banks)	8,717.41	9,240.23	5,897.03
Minus	Cash balances	4,101.13	6,320.05	4,929.98
<b>Total funding</b>		<b>51.924,05</b>	<b>48.374,60</b>	<b>45.701,04</b>

**Total Non-Performing Assets (net):** the Group uses this APM to evaluate the size of the non-productive assets portfolio (non-performing loans and acquired/foreclosed assets) in net terms, after deducting all the write-downs associated with NPAs.

		<b>June 2021</b>	<b>December 2020</b>	<b>December 2019</b>
			<i>(€ million)</i>	
	Impaired assets loans and advances to customers	983.68	1,099.23	1,344.51
Minus	Impairment losses and provisions for credit risks, including contingents	766.70	761.05	760.24
Plus	Acquired/foreclosed assets	1,328.71	1,410.91	1,481.69
Minus	Write-downs associated with Acquired/foreclosed assets	677.45	690.38	672.19
<b>Total Non-Performing Assets (net)</b>		<b>868.25</b>	<b>1,058.71</b>	<b>1,393.76</b>



## CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS AND LOSS ABSORBING POWERS

### CAPITAL, LIQUIDITY AND FUNDING REQUIREMENTS

#### Overview of capital, liquidity and funding regulations

The regulatory framework regarding the solvency of credit entities (the "**CRD IV**") is established by the Regulation (EU) 575/2013, of 26 June, on prudential requirements for credit institutions and investment firms (the "**CRR**"), Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (the "**CRD IV Directive**") and any CRD IV Implementing Measures (as defined in the Conditions). The implementation of the CRD IV Directive in Spain has largely taken place through Royal Decree-Law 14/2013, of 29 November, on urgent measures to adapt Spanish law to EU regulations on the subject of supervision and solvency of financial entities, Law 10/2014, of 26 June, on the organisation, supervision and solvency of credit institutions ("**Law 10/2014**"), Royal Decree 84/2015, of 13 February, which implements Law 10/2014 ("**Royal Decree 84/2015**") and Bank of Spain Circulars 2/2014, of 31 January, and 2/2016, of 2 February, to credit entities, on supervision and solvency, which completes the adaptation of Spanish law to CRR and the CRD IV Directive (the "**Bank of Spain Circular 2/2016**").

Directive 2014/59/EU, of 15 May, establishing a framework for the recovery and resolution of credit institutions and investment firms (the "**BRRD**"), that has been implemented in Spain through Law 11/2015, of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**") and Royal Decree 1012/2015, of 6 November, developing Law 11/2015 ("**Royal Decree 1012/2015**"), also establishes certain requirements in terms of a minimum level of own funds and eligible liabilities in relation to total liabilities and own funds (known as "**MREL**").

On 27 June 2019, a comprehensive package of reforms amending CRR, the CRD IV Directive, BRRD and Regulation (EU) No 806/2014 (the "**SRM Regulation**") came into force: (i) Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**CRD V Directive**") amending the CRD IV Directive, (ii) Directive (EU) 2019/879 of the European Parliament and of the European Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**BRRD II**") amending, among others, the BRRD as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms, (iii) Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, "**CRR II**") amending, among other things, the CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and (iv) Regulation (EU) 2019/877 of the European Parliament and of the Council of 20 May 2019 (as amended, replaced or supplemented from time to time, the "**SRM Regulation II**") amending the SRM Regulation as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (the CRD V Directive, BRRD II, CRR II and the SRM Regulation II, the "**EU Banking Reforms**"). Most of the provisions of the EU Banking Reforms have started to apply. CRD V Directive and BRRD II have been partially implemented into Spanish law through Royal Decree-Law 7/2021, of 27 April, ("**RDL 7/2021**") which has amended, amongst others, Law 10/2014 and Law 11/2015. Despite the fact that RDL 7/2021 is generally enforceable since 29 April 2021, the Spanish Parliament decided on 19 May 2021 to process it as a Law and so RDL 7/2021 provisions may be subject to changes.

On 27 December 2017, Directive 2017/2399 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was published in the Official Journal of the EU and set forth a harmonised national insolvency ranking of unsecured debt instruments to facilitate the issuance by credit institutions of senior "non-preferred" instruments. Before that, Royal Decree-Law 11/2017, of 23 June, approving urgent measures on financial matters created in Spain the new asset class of senior non preferred debt.

In reaction to the COVID-19 outbreak, in June 2020 the European Parliament and the Council of the EU adopted a banking package that provides targeted and exceptional legislative changes to CRR II intended to allow credit institutions to fully play their role in managing the economic shock that stems from the COVID-19 pandemic by fostering credit flows (the "**Quick Fix**").

Moreover, on 26 January 2021, the European Commission launched a targeted public consultation on technical aspects on a new review of BRRD, the SRM Regulation, and Directive 2014/49/EU of the European Parliament and of the Council of 16 April 2014 on deposit guarantee schemes. The consultation was open until 20 April 2021

and was split into two main sections: a section covering the general objectives of the review focus, and a section seeking technical feedback on stakeholders experience with the current framework and the need for changes in the future framework, notably on (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and impact on no creditor worse-off principle, and (iii) depositor insurance. Legislative proposals for BRRD III, SRM Regulation III and DGSD II are to be tabled on the fourth quarter of 2021.

### ***Capital requirements***

Under CRD IV, the Issuer and the Group are required to hold a minimum amount of regulatory capital of 8% of RWAs of which at least 4.5% must be CET1 capital and at least 6% must be Tier 1 capital (together, the "**minimum "Pillar 1" capital requirements**").

Moreover, Article 104 of CRD IV Directive, as implemented in Spain by Article 68 of Law 10/2014 and similarly Article 16 of Council Regulation (EU) No. 1024/2013, of 15 October 2013, conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions, also contemplates that in addition to the minimum "Pillar 1" capital requirements, the supervisory authorities may require further capital to cover other risks. This may result in the imposition of further CET1, Tier 1 and total capital requirements on the Group and/or the Issuer pursuant to this "Pillar 2" framework. Following the introduction of the single supervisory mechanism, the ECB is in charge of assessing additional "Pillar 2" capital requirements ("**P2R**") through the SREP assessments to be carried out at least on an annual basis (accordingly requirements may change from year to year). CRD V Directive clarifies that P2R should be set in relation to the specific situation of an institution excluding macroprudential or systemic risks, but including the risks incurred by individual institutions due to their activities (including those reflecting the impact of certain economic and market developments on the risk profile of an individual institution) and it also allows the P2R to be partially covered with AT1 and Tier 2 instruments.

In addition to the minimum "Pillar 1" capital requirements and the P2R, credit institutions must comply with the "combined buffer requirement" set out in the CRD IV Directive as implemented in Spain. The "combined buffer requirement" has introduced five new capital buffers to be satisfied with additional CET1 capital: (i) the capital conservation buffer of 2.5% of RWAs; (ii) the global systemically important institutions ("**G-SIIs**") buffer, which shall be not less than 1% of RWAs; (iii) the institution-specific counter-cyclical capital buffer (consisting of the weighted average of the counter-cyclical capital buffer rates that apply in the jurisdictions where the relevant credit exposures are located), which may be as much as 2.5% of RWAs (or higher pursuant to the competent authority); (iv) the other systemically important institutions ("**O-SII**") buffer, which may be as much as 3% of RWAs; and (v) the systemic risk buffer to prevent systemic or macro prudential risks, of at least 1% of RWAs (to be set by the Bank of Spain).

Neither the Bank nor the Group has been classified as G-SII or as O-SII by the FSB nor by any competent authority so, unless otherwise indicated by the FSB or by the Bank of Spain in the future, it is not required to maintain the G-SII buffer or the O-SII buffer. In addition, the Bank of Spain agreed to maintain the countercyclical capital buffer applicable to credit exposures in Spain at 0% for the fourth quarter of 2021 (requirements are revised each quarter). Some or all of the other buffers may also apply to the Bank from time to time as determined by the Bank of Spain, the ECB or any other competent authority.

As set out in the "Opinion of the European Banking Authority on the interaction of "Pillar 1", "Pillar 2" and combined buffer requirements and restrictions on distributions" published on 16 December 2015 (the "**December 2015 EBA Opinion**"), competent authorities should ensure that the CET1 capital to be taken into account in determining the CET1 capital available to meet the "combined buffer requirement" for the purposes of the Maximum Distributable Amount (as defined below) calculation is limited to the amount not used to meet the minimum "Pillar 1" capital requirements and the P2R of the institution and, accordingly, the "combined buffer requirement" is in addition to the minimum "Pillar 1" capital requirement and to the P2R, and therefore it would be the first layer of capital to be eroded pursuant to the applicable stacking order. CRD V Directive clarifies that P2R should be positioned in the relevant stacking order of own funds requirements above the Minimum "Pillar 1" capital requirements and below the "combined buffer requirement" or the leverage ratio buffer requirement, as relevant.

According to Article 48 of Law 10/2014, Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, those entities failing to meet the "combined buffer requirement" or making a distribution in connection with CET1 capital to an extent that would decrease its CET1 capital to a level where the "combined buffer requirement" is no longer met, will be subject to restrictions on (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension benefits and (iii) distributions relating

to Additional Tier 1 capital instruments, until the maximum distributable amount calculated according to CRD IV (i.e., the firm's "distributable profits", calculated in accordance with CRD IV, multiplied by a factor dependent on the extent of the shortfall in CET1 capital) (the "**Maximum Distributable Amount**") has been calculated and communicated to the Bank of Spain and thereafter, any such distributions or payments will be subject to such Maximum Distributable Amount for entities (a) not meeting the "combined buffer requirement" or (b) in relation to which the Bank of Spain has adopted any of the measures set forth in Article 68.2 of Law 10/2014 aimed at strengthening own funds or limiting or prohibiting the distribution of dividends.

As communicated by the EBA on 1 July 2016, in addition to the minimum "Pillar 1" capital requirements, the P2R and the "combined buffer requirements", the supervisor can also set a "Pillar 2" capital guidance ("**P2G**"). Thus, SREP decisions of 2016 onwards differentiate between P2R and P2G. While P2R are binding requirements and breaches can have direct legal consequences for the banks, P2G is not directly binding and a failure to meet it does not automatically trigger legal action, even though the ECB expects banks to meet P2G. Following this clarification, the clarifications contained in the "EBA Pillar 2 Roadmap" (April 2017) and the guidelines on the revised common procedures and methodologies for the SREP and supervisor stress testing published by the EBA on 19 July 2018, banks are expected to meet the P2G with CET1 capital on top of the level of binding capital requirements ("Pillar 1" capital requirements, P2R and the "combined buffer requirements"). Under the EU Banking Reforms, the P2G is not relevant for the purposes of triggering the automatic restriction of the distribution and calculation of the Maximum Distributable Amount. CRD V provides that when an institution repeatedly fails to meet the P2G, the competent authority should be entitled to take supervisory measures and, where appropriate, to impose additional own funds requirements.

In reaction to the COVID-19 outbreak and in addition to the Quick Fix, in March 2020 the ECB announced temporary measures expected to provide capital relief to banks in support of the economy. These measures include the permission to (i) operate temporarily below the level of capital defined by P2G, the "capital conservation buffer" and the LCR and (ii) use capital instruments that do not qualify as CET1 (for example Additional Tier 1 instruments and Tier 2 instruments) to partially meet P2R (this was already foreseen in the CRD V Directive, but before the CRD V Directive and the referred decisions of the ECB in March 2020, P2R was to be covered with CET1 in its entirety).

In December 2019, Kutxabank was informed by the consolidated ECB of the capital requirements applicable to the Kutxabank Group<sup>48</sup> from 1 January 2020 onwards and that are still applicable (with no subsequent decision received in this regard in 2020) in 2021. The details of these capital requirements, calculated on the basis of risk-weighted assets, are described below:

Category	CET1 ratio (%)	Total Capital ratio (%)
Pillar 1	4.50	8.00
Pillar 2 (P2R)	1.20	1.20
Conservation buffer	2.50	2.50
Other buffers	0.00	0.00
<b>TOTAL REQUIREMENTS</b>	<b>8.20</b>	<b>11.70</b>

The table below sets out the Group's consolidated capital position as at 30 June 2021, 31 December 2020 and 31 December 2019:

	30 June 2021*		31 December			
	Phased-in	Fully loaded	2020		2019	
			Phased-in	Fully loaded	Phased-in	Fully loaded
CET1 ratio (%)	17.42	16.98	17.83	17.44	17.17	16.94
Tier 1 ratio (%)	17.42	16.98	17.83	17.44	17.17	16.94
Total Capital ratio (%)	17.42	16.98	17.83	17.44	17.17	16.94

\* Including 40% of the profits during the six-month period ended 30 June 2021, based on the proportion of the expected retained earnings in accordance with the shareholder dividend pay-out policy.

As at 30 June 2021, the RWAs of the Group amounted to EUR 31,014.10 million (EUR 30,241.33 as at 31 December 2020 and EUR 30,186.42 million as at 31 December 2019).

As at 30 June 2021, the CET1 capital of the Group represented 8.49% of the Total Liabilities and Own Funds (8.66% as at 31 December 2020 and 8.93% as at 31 December 2019). The Group also has a solid capitalisation,

<sup>48</sup> Kutxabank is not required to comply with capital requirements at an individual level.

with an asset density (i.e., the percentage of RWAs over Total Assets) of 48.03% as at 30 June 2021 (47.91% as at 31 December 2020 and 51.25% as at 31 December 2019).

Any failure by the Bank to comply with its regulatory capital requirements could result in the imposition of administrative actions or sanctions, such as further P2Rs or the adoption of any early intervention or, ultimately, resolution measures by resolution authorities pursuant to Law 11/2015, which, together with Royal Decree 1012/2015 have implemented BRRD into Spanish law.

### **Leverage ratio**

In addition to the above, Article 429 of the CRR requires institutions to calculate their leverage ratio ("**LR**") in accordance with the methodology laid down in that article. The EU Banking Reforms contain a binding 3% Tier 1 LR requirement, that has been added to the own funds requirements in Article 92 of the CRR, and which institutions must meet in addition to their risk-based requirements.

As at 30 June 2021, Kutxabank's phased-in LR was 8.68% and its fully-loaded LR was 8.47% (9.23% and 9.02%, respectively, as at 31 December 2020 and 8.56% and 8.44%, respectively, as at 31 December 2019).

This leverage ratio requirement is a parallel requirement to the risk-based own funds requirements described above. Thus, any additional own funds requirements imposed by competent authorities to address the risk of excessive leverage should be added to the minimum leverage ratio requirement and not to the minimum risk-based own funds requirement. Institutions should also be able to use any CET1 instruments that they use to meet their leverage-related requirements to meet their risk-based own funds requirements, including the "combined buffer requirement".

### **MREL requirements**

In addition to the minimum capital requirements under CRD IV, the BRRD regime prescribes that banks shall hold a minimum level of own funds and eligible liabilities. The MREL shall be calculated as the amount of own funds and eligible liabilities and expressed as a percentage of the total liabilities and own funds of the institution (pursuant to BRRD II, it shall be expressed as a percentage of the total risk exposure amount or the total exposure measure of the institution, calculated in each case in accordance with CRR). The level of capital and eligible liabilities required under MREL is set by the resolution authority for each bank (and/or group) based on the resolution plan and other criteria. The resolution authority for the Issuer is the SRB. Eligible liabilities may be senior or subordinated liabilities, provided, among other requirements, that they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted under that law (including through contractual provisions).

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIIs and "top tier" banks involving a minimum "Pillar 1" subordination requirement and an institution specific "Pillar 2" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt under the new insolvency hierarchy introduced into Spain will be eligible for compliance with the subordination requirement). Resolution authorities may also impose "Pillar 2" subordination requirements to institutions not constituting G-SIIs or "top tier" banks, which would be determined on a case-by-case basis but subject to a minimum level equal to the lower of 8% of a bank's total liabilities and own funds and 27% of its RWAs.

A new Article 16.a) of the BRRD, as recently amended by BRRD II, better clarifies the stacking order between the "combined buffer requirement" and the MREL requirement. Pursuant to this new provision, a resolution authority will have the power to prohibit an entity from making discretionary payments above the maximum distributable amount for own funds and eligible liabilities (calculated in accordance with the new Article 16.a)(4) of the BRRD (the "**MREL-Maximum Distributable Amount Provision**") through (i) distributions relating to CET1 capital, (ii) payments in respect of variable remuneration or discretionary pension benefits and (iii) distributions relating to Additional Tier 1 capital instruments, where it meets the "combined buffer requirement" but fails to meet that "combined buffer requirement" when considered in addition to the MREL requirements. The referred Article 16.a) of the BRRD includes a potential nine-month grace period whereby the resolution authority will assess on a monthly basis whether to exercise its powers under the MREL-Maximum Distributable Amount Provision before such resolution authority is compelled to exercise its power under such provisions (subject to certain limited exceptions).

In December 2020 Kutxabank received the formal communication from the Bank of Spain regarding its MREL requirement established by the SRB. According to that communication, the Group is required to reach by 1 January 2024 a consolidated amount of own funds and eligible liabilities of 17.10% of the TREA and of 5.27% of the LRE (excluding the capital allocated to cover the "combined buffer requirement"). Additionally, consolidated intermediate targets of 16.59% of the TREA and 5.27% of the LRE (excluding the capital allocated to cover the "combined buffer requirement") to be reached by 1 January 2022 were also set. The requirement is aligned with the Bank's expectations and its financing plan. As at 30 June 2021, the Group's phased-in MREL represented 19.03% of the TREA and a 9.40% of the LRE (without excluding the capital allocated to cover the "combined buffer requirement").

According to the EU Banking Reforms, any failure by an institution to meet the applicable minimum MREL requirements will be treated similarly as a failure to meet minimum regulatory capital requirements, where resolution authorities must ensure that they intervene and place an institution into resolution sufficiently early if it is deemed to be failing or likely to fail and there is no reasonable prospect of recovery.

### **Liquidity requirements**

The Group should also comply with the LCR requirements provided in CRR. The LCR is the short-term indicator which expresses the ratio between the amount of available assets readily monetisable (cash and the readily liquidable securities held by the Group) and the net cash imbalance accumulated over a 30-day liquidity stress period, it is a quantitative liquidity standard designed to ensure that banks have sufficient high-quality liquid assets to cover expected net cash outflows over a 30-day liquidity stress period. Entities to which this standard applies (including the Group) must comply with 100% of the applicable LCR requirement. The LCR of the Group was 194.49% as at 30 June 2021 (238.83% on average during the 12-months period ended on 30 June 2021), 253.53% as at 31 December 2020 and 215.84% as at 31 December 2019.

The BCBS' NSFR is the 12-month structural liquidity indicator which corresponds to the ratio between the available amount of stable funding and the statutory amount of stable funding. It has been developed to provide a sustainable maturity structure of assets and liabilities such that banks maintain a stable funding profile in relation to their on- and off-balance sheet activities that reduces the likelihood that disruptions to a bank's regular sources of funding will erode its liquidity position in a way that could increase the risk of its failure. The EU Banking Reforms contain the implementation of the BCBS standard on NSFR in CRR II introducing some adjustments. The NSFR of the Group was 136.89% as at 30 June 2021 (135.77% on average during the 12-months period ended on 30 June 2021), 136.21% as at 31 December 2020 and 130.53% as at 31 December 2019.

### **Prudential Treatment of NPLs**

On 15 March 2018, the ECB published its supervisory expectations on prudent levels of provisions for NPLs. This was published as an addendum (the "**Addendum**") to the ECB's guidance to banks on non-performing loans published on 20 March 2017 and clarified the ECB's supervisory expectations regarding the identification, management, measurement and write-off of NPLs. The ECB stated that the Addendum set out what it deems to be a prudent treatment of NPLs with the aim of avoiding an excessive build-up of non-covered aged NPLs on banks' balance sheets in the future, which would require supervisory measures. The Addendum is non-binding but serves as the basis for the supervisory dialogue between the significant banks and ECB banking supervision. The ECB will assess any differences between banks' practices and the prudential provisioning expectations laid out in the Addendum at least annually. During the supervisory dialogue, the ECB will discuss with each bank divergences from the prudential provisioning expectations laid out in the addendum. After this dialogue and taking into account the bank's specific situation, ECB Banking Supervision will decide, on a case-by-case basis, whether and which supervisory measures are appropriate. The result of this dialogue will be incorporated, for the first time, in the 2021 SREP.

In addition, as part of the EU Commission's package of measures aimed at addressing the risks related to high levels of NPLs in Europe, Regulation (EU) 2019/630 amends CRR as regards minimum loss coverage for non-performing exposures ("**NPEs**") introduced a clear set of conditions for the classification of NPEs and established clear criteria on the determination of non-performing exposures, the concept of forbearance measures, deduction for non-performing exposures and treatment of expected loss amounts.

In connection with the measures adopted in reaction to the COVID-19 outbreak and more specifically in connection with the measures announced by the ECB to ensure that its directly supervised banks can continue to fulfil their role to fund households and corporations, additional measures introducing supervisory flexibility regarding the treatment of NPLs were established, in particular to allow banks to fully benefit from guarantees

and moratoriums put in place by public authorities to tackle the current distress. These measures affected the prudential framework in relation to the classification of loans in default, the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring, and their accounting treatment. In particular, the EBA has clarified that generalised payment delays due to legislative initiatives and addressed to all borrowers do not lead to any automatic classification in default, forborne or unlikeliness to pay (individual assessments of the likeliness to pay should be prioritized) and has clarified the requirements for public and private moratoria, which if fulfilled, are expected to help avoid the classification of exposures under the definition of forbearance or as defaulted under distressed restructuring.

## **LOSS ABSORBING POWERS**

BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015) is designed to provide authorities with a credible set of tools to intervene sufficiently early and quickly in unsound or failing credit institutions or investment firms (each an "**institution**") so as to ensure the continuity of the institution's critical financial and economic functions, while minimising the impact of an institution's failure on the economy and financial system.

In accordance with Article 20 of Law 11/2015, an institution will be considered as failing or likely to fail in any of the following circumstances: (i) it is, or is likely in the near future to be, in significant breach of its solvency or any other requirements necessary for maintaining its authorisation; (ii) its assets are, or are likely in the near future to be, less than its liabilities; (iii) it is, or is likely in the near future to be, unable to pay its debts as they fall due; or (iv) it requires extraordinary public financial support (except in limited circumstances). The determination that an institution is no longer viable may depend on a number of factors which may be outside of that institution's control.

As provided in the BRRD, Law 11/2015 contains four resolution tools and powers which may be used alone or in combination where the FROB, the SRB established pursuant to the SRM Regulation, as the case may be and according to Law 11/2015, the Bank of Spain or the CNMV, or any other entity with the authority to exercise any such tools and powers from time to time (each, a "**Relevant Resolution Authority**") as appropriate, considers that (a) an institution is failing or likely to fail, (b) there is no reasonable prospect that any alternative private sector measures would prevent the failure of such institution within a reasonable timeframe, and (c) a resolution action is in the public interest.

The four resolution tools are: (i) sale of business (which enables the Relevant Resolution Authority to direct the sale of the institution or the whole or part of its business on commercial terms); (ii) bridge institution (which enables the Relevant Resolution Authority to transfer all or part of the business of the institution to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control)); (iii) asset separation (which enables the Relevant Resolution Authority to transfer certain categories of assets to one or more publicly owned asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only)); and (iv) bail-in (which gives the Relevant Resolution Authority the right to exercise the Spanish Bail-in Power (as defined below)). The bail-in includes the ability of the Relevant Resolution Authority to write down (including to zero) and/or to convert into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the bail-in) certain unsecured debt claims (including instruments such as the SNP Green Notes).

The "**Spanish Bail-in Power**" is any write down, conversion, transfer, modification, or suspension power existing from time to time under, and exercised in compliance with any laws, regulations, rules or requirements in effect in Spain, relating to the transposition of the BRRD, as amended from time to time, including, but not limited to (i) Law 11/2015, as amended from time to time, (ii) Royal Decree 1012/2015, as amended from time to time, (iii) the SRM Regulation, as amended from time to time, and (iv) any other instruments, rules or standards made in connection with either (i), (ii) or (iii), pursuant to which any obligation of an institution can be reduced, cancelled, modified, or converted into shares, other securities, or other obligations of such institution or any other person (or suspended for a temporary period).

In accordance with Article 48 of Law 11/2015 (and subject to any exclusions that may be applied by the Relevant Resolution Authority under Article 43 of Law 11/2015), in the case of any application of the Spanish Bail-in Power to absorb losses and cover the amount of the recapitalisation, the sequence of any resulting write down or conversion shall be as follows: (i) CET1 items; (ii) the principal amount of Additional Tier 1 instruments; (iii) the principal amount of Tier 2 instruments; (iv) the principal amount of other subordinated claims that do not qualify as Additional Tier 1 capital or Tier 2 capital; and (v) the principal or outstanding amount of "bail-inable liabilities"

*(pasivos susceptibles de recapitalización interna)* (including the SNP Green Notes) in accordance with the hierarchy of claims in normal insolvency proceedings (with "non-preferred" ordinary claims subject to the Spanish Bail-in Power after any subordinated claims against the Bank but before the other ordinary claims against the Bank). The order of this sequence is consistent with the hierarchy of claims in normal insolvency proceedings prescribed by the Insolvency Law read in conjunction with Additional Provision 14 of Law 11/2015.

In addition to the Spanish Bail-in Power, the BRRD, Article 38 of Law 11/2015 and the SRM Regulation provide for the Relevant Resolution Authority to have the further power to permanently write down or convert into equity capital instruments and certain internal eligible liabilities at the point of non-viability of an institution or a group (the "**Non-Viability Loss Absorption**"). The point of non-viability of an institution is the point at which the Relevant Resolution Authority determines that the institution meets the conditions for resolution or that it will no longer be viable unless the relevant capital instruments and eligible liabilities are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Resolution Authority. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of any other Spanish Bail-in Power or any other resolution tool or power (where the conditions for resolution referred to above are met).

In accordance with Article 64.1(i) of Law 11/2015, the FROB has also the power to alter the amount of interest payable under debt instruments and other bail-inable liabilities of institutions subject to resolution proceedings and the date on which the interest becomes payable under the debt instrument (including the power to suspend payment for a temporary period).

## TAXATION

*The following is a general description of certain Spanish tax considerations relating to the SNP Green Notes. It does not purport to be a complete analysis of all tax considerations relating to the SNP Green Notes whether in those countries or elsewhere. Prospective purchasers of SNP Green Notes should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of SNP Green Notes and receiving payments of interest, principal and/or other amounts under the SNP Green Notes. This summary is based upon the law as in effect on the date of this Prospectus and is subject to any change in law that may take effect after such date.*

*Also investors should note that the appointment by an investor in SNP Green Notes, or any person through which an investor holds SNP Green Notes, of a custodian, collection agent or similar person in relation to such SNP Green Notes in any jurisdiction may have tax implications. Investors should consult their own tax advisers in relation to the tax consequences for them of any such appointment.*

### Spanish tax considerations

The following summary describes the main Spanish tax implications arising in connection with the acquisition and holding of the SNP Green Notes by individuals or entities who are the beneficial owners of the SNP Green Notes. The information provided below does not purport to be a complete analysis of the tax law and practice currently applicable in Spain, and it is not intended to be, nor should it be construed to be, legal or tax advice, and does not address all the tax consequences applicable to all categories of investors, some of which (such as look through entities or Holders by reason of employment) may be subject to special rules.

All the tax consequences described in this section are based on the general assumption that the SNP Green Notes are initially registered for clearance and settlement in Iberclear.

Prospective purchasers of the SNP Green Notes should consult their own tax advisers as to the tax consequences, including those under the tax laws of the country of which they are resident, of purchasing, owning and disposing of the SNP Green Notes.

This information has been prepared in accordance with the following Spanish tax legislation in force at the date of this Prospectus:

- (a) of general application, Additional Provision One of Law 10/2014, as well as Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes, as amended by Royal Decree 1145/2011 of 29 July ("**Royal Decree 1065/2007**") and Foral Decree of Bizkaia 205/2008, of 22 December ("**Foral Decree 205/2008**");
- (b) for individuals resident for tax purposes in Spain who are PIT taxpayers, Law 35/2006, of 28 November, on the PIT and on the partial amendment of the Corporate Income Tax Law, Non-Resident Income Tax Law and Wealth Tax Law, as amended (the "**PIT Law**"), and Royal Decree 439/2007, of 30 March, approving the PIT Regulations, as amended (the "**PIT Regulations**"), along with Law 19/1991, of 6 June, on Wealth Tax, as amended, and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended;
- (c) for legal entities resident for tax purposes in Spain which are Corporate Income Tax ("**CIT**") taxpayers, Law 27/2014, of 27 November, on CIT, as amended (the "**CIT Law**"), and Royal Decree 634/2015, of 10 July, promulgating the CIT Regulations, as amended (the "**CIT Regulations**"); and
- (d) for individuals and entities who are not resident for tax purposes in Spain which are Non-Resident Income Tax ("**NRIT**") taxpayers, Royal Legislative Decree 5/2004, of 5 March, promulgating the Consolidated Text of the NRIT Law, as amended ("**NRIT Law**") and Royal Decree 1776/2004, of 30 July, promulgating the NRIT Regulations, as amended ("**NRIT Regulations**") along with Law 19/1991, of 6 June, on Wealth Tax as amended and Law 29/1987, of 18 December, on Inheritance and Gift Tax, as amended.



## ***Tax treatment of the SNP Green Notes***

### ***Indirect taxation***

Whatever the nature and residence of the Holder, the acquisition and transfer of SNP Green Notes will be exempt from indirect taxes in Spain, i.e. exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, dated 24 September 1993 and exempt from Value Added Tax, in accordance with Law 37/1992, dated 28 December 1992 regulating such tax.

Kutxabank understands that the SNP Green Notes should be deemed as financial assets with an explicit yield for Spanish tax purposes, according to Article 91 of the PIT Regulations and Article 63 of the CIT Regulations.

### ***Direct taxation***

#### **(a) *Individuals with tax residency in Spain***

##### **Personal Income Tax (*Impuesto sobre la Renta de las Personas Físicas*)**

Both interest periodically received and income derived from the transfer, redemption or repayment of the SNP Green Notes constitute a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law, and must be included in each investor's savings income and taxed at the tax rate applicable from time to time, currently 19 per cent. for taxable income up to €6,000.00; 21 per cent. for taxable income between €6,000.01 and €50,000.00; 23% for taxable income between €50,000.01 and €200,000.00, and 26 per cent. for taxable income in excess of €200,000.00.

Income from the transfer of the SNP Green Notes is computed as the difference between their transfer value and their acquisition or subscription value. Also, ancillary acquisition and disposal charges are taken into account, insofar as adequately evidenced, in calculating the income.

Negative income derived from the transfer of the SNP Green Notes, in the event that the investor had acquired other homogeneous securities within the two months prior or subsequent to such transfer or exchange, shall be included in his or her PIT base as and when the remaining homogeneous securities are transferred.

When calculating the net income, expenses related to the management and deposit of the SNP Green Notes will be deductible, excluding those pertaining to discretionary or individual portfolio management.

A (current) 19 per cent. withholding on account of PIT will be imposed by Kutxabank on interest payments as well as on income derived from the redemption or repayment of the SNP Green Notes, by individual investors subject to PIT.

However, income derived from the transfer of the SNP Green Notes should not be subject to withholding on account of PIT provided that the SNP Green Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF.

Notwithstanding the above, 19 per cent. withholding tax shall apply on the part of the transfer price that corresponds to the accrued interest when the transfer of the SNP Green Notes takes place within the 30-day period prior to the moment in which such interest is due when the following requirements are fulfilled:

- (i) the acquirer would be a non-resident or a CIT taxpayer;
- (ii) the explicit yield derived from the SNP Green Notes being transferred is exempt from withholding tax.

In any event, the individual holder may credit the withholding tax applied by Kutxabank against his or her final PIT liability for the relevant tax year.

## **Reporting Obligations**

Kutxabank will comply with the reporting obligations set forth in the applicable tax laws (including any foral regulations) with respect to beneficial owners of the SNP Green Notes that are individuals resident in Spain for tax purposes.

### **Wealth Tax (*Impuesto sobre el Patrimonio*)**

According to Wealth Tax regulations (subject to any exceptions provided under relevant legislation in each autonomous region (*Comunidad Autónoma*)), individuals with tax residency in Spain would be subject to Wealth Tax to the extent that their net worth exceeds €700,000 (subject to any exceptions provided under relevant legislation in an autonomous region (*Comunidad Autónoma*)). Therefore, they should take into account the value of the SNP Green Notes which they hold as at 31 December in each year, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

### **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals with tax residency in Spain who acquire ownership or other rights over any SNP Green Notes by inheritance, gift or legacy will be subject to inheritance and gift tax in accordance with the applicable Spanish regional or state rules. The applicable rates range between 7.65 per cent. and 81.6 per cent., although the final tax rate may vary depending on any applicable regional tax laws. Some tax benefits could reduce the effective tax rate.

- (b) *Spanish tax resident legal entities*

### **Corporate Income Tax (*Impuesto sobre Sociedades*)**

Both interest periodically received and income derived from the transfer, redemption or repayment of the SNP Green Notes are subject to CIT at the current general flat tax rate of 25 per cent.

However, this general rate will not be applicable to all CIT taxpayers and, for instance, it will not apply to banking institutions (which will be taxed at the rate of 30 per cent.). Special rates apply in respect of certain types of entities (such as qualifying collective investment institutions).

No withholding on account of CIT will be imposed on interest payments or on income derived from the redemption or repayment of the SNP Green Notes, by Spanish CIT taxpayers provided that certain requirements are met (including that the Iberclear Members that have the SNP Green Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide Kutxabank, in a timely manner, with a duly executed and completed Payment Statement, as defined below). See "*— Compliance with Certain Requirements in Connection with Income Payments*".

With regard to income derived from the transfer of the SNP Green Notes, in accordance with Article 61.q of the CIT regulations, there is no obligation to withhold on income derived from the SNP Green Notes obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the SNP Green Notes are:

- (i) registered by way of book entries; and
- (ii) negotiated in a Spanish official secondary market, such as AIAF.

## **Reporting Obligations**

Kutxabank will comply with the reporting obligations set forth in the applicable tax laws (including any foral regulations) with respect to beneficial owners of the SNP Green Notes that are legal persons or entities resident in Spain for tax purposes.

### **Wealth Tax (*Impuesto sobre el Patrimonio*)**

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the SNP Green Notes are not subject to Spanish Wealth Tax.

### **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Legal entities resident in Spain for tax purposes that acquire ownership or other rights over the SNP Green Notes by inheritance, gift or legacy are not subject to the Inheritance and Gift Tax but generally must include the market value of the SNP Green Notes in their taxable income for CIT purposes.

(c) *Individuals and legal entities that are not tax resident in Spain*

- (i) Investors that are not resident in Spain for tax purposes, acting in respect of the SNP Green Notes through a permanent establishment in Spain

#### **Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)**

If the SNP Green Notes form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such SNP Green Notes are, generally, the same as those set forth above for Spanish CIT taxpayers. See "*—Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*".

Ownership of the SNP Green Notes by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

#### **Reporting Obligations**

Kutxabank will comply with the reporting obligations set forth under Spanish tax laws with respect to beneficial owners of the SNP Green Notes that are individuals or legal entities not resident in Spain for tax purposes and that act with respect to the SNP Green Notes through a permanent establishment in Spain.

- (ii) Investors that are not resident in Spain for tax purposes, not acting in respect of the SNP Green Notes through a permanent establishment in Spain

#### **Non-resident Income Tax (*Impuesto sobre la Renta de no Residentes*)**

Both interest payments periodically received under the SNP Green Notes and income derived from the transfer, redemption or repayment of the SNP Green Notes, obtained by individuals or entities who are not resident in Spain for tax purposes and who do not act, with respect to the SNP Green Notes, through a permanent establishment in Spain, are exempt from NRIT and therefore no withholding on account of NRIT will be levied on such income provided certain requirements are met.

In order to be eligible for the exemption from NRIT, certain requirements must be met (including that, in respect of interest payments from the SNP Green Notes carried out by Kutxabank, the Iberclear Members that have the SNP Green Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide Kutxabank, in a timely manner, with a duly executed and completed Payment Statement, as defined below), as set forth in Article 44 of Royal Decree 1065/2007. See "*—Compliance with Certain Requirements in Connection with Income Payments*".

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement (as defined below) to Kutxabank in a timely manner in respect of a payment of interest under the SNP Green Notes, Kutxabank will withhold Spanish withholding tax at the applicable rate (currently 19 per cent.) on such payment of income on the SNP Green Notes and Kutxabank will not pay additional amounts with respect to any such withholding tax.

A beneficial owner who is not resident in Spain for tax purposes and entitled to exemption from NRIT, but to whom payment was not exempt from Spanish withholding tax due to a failure on the delivery of a duly executed and completed Payment Statement (as defined below) to Kutxabank, will receive a refund of the amount withheld, with no need for action on the beneficial owner's part, if Kutxabank receives a duly executed and completed Payment

Statement (as defined below) no later than the tenth calendar day of the month immediately following the relevant payment date.

In addition, beneficial owners of the SNP Green Notes may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the NRIT Law and its regulations.

#### **Wealth Tax (*Impuesto sobre el Patrimonio*)**

According to Wealth Tax regulations, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory exceed €700,000 would be subject to Wealth Tax, the applicable rates ranging between 0.2 per cent. and 3.5 per cent. although the final tax rates may vary depending on any applicable regional tax laws, and some reductions may apply.

However, non-Spanish resident individuals will be exempt from Wealth Tax in respect of the SNP Green Notes which income is exempt from NRIT as described above.

Individuals resident in a country with which Spain has entered into a double tax treaty in relation to the Wealth Tax would generally not be subject to such tax.

Individuals that are not resident in Spain for tax purposes may apply the rules approved by the autonomous region where the assets and rights with more value (i) are located, (ii) can be exercised or (iii) must be fulfilled.

Non-Spanish resident legal entities are not subject to Wealth Tax.

#### **Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*)**

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the SNP Green Notes by inheritance, gift or legacy, and who reside in a country with which Spain has entered into a double tax treaty in relation to inheritance and gift tax will be subject to the relevant double tax treaty.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to inheritance and gift tax in accordance with Spanish regional and state rules.

Non-Spanish resident legal entities which acquire ownership or other rights over the SNP Green Notes by inheritance, gift or legacy are not subject to inheritance and gift tax. They will be subject to NRIT. If the legal entity is resident in a country with which Spain has entered into a double tax treaty, the provisions of such treaty will apply. In general, double-tax treaties provide for the taxation of this type of income in the country of residence of the beneficiary.

#### **(d) *Compliance with certain requirements in connection with income payments***

As described under "*Spanish tax resident legal entities—Corporate Income Tax (Impuesto sobre Sociedades)*", "*— Individuals and legal entities that are not tax resident in Spain*", provided the conditions set forth in Law 10/2014 are met, income payments made by Kutxabank in respect of the SNP Green Notes for the benefit of Spanish CIT taxpayers, or for the benefit of non-Spanish tax resident investors will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the SNP Green Notes registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide Kutxabank, in a timely manner, with a duly executed and completed statement (a "**Payment Statement**") (which is attached as Annex I), in accordance with section 4 of Article 44 of Royal Decree 1065/2007 and section 4 of Article 54 of Foral Decree 205/2008, as applicable, containing the following information:

- (i) Identification of the SNP Green Notes.
- (ii) Total amount of the income paid by Kutxabank.
- (iii) Amount of the income corresponding to individual residents in Spain that are PIT taxpayers.

- (iv) Amount of the income that must be paid on a gross basis.

If the Iberclear Members fail or for any reason are unable to deliver a duly executed and completed Payment Statement to Kutxabank in a timely manner in respect of a payment of income made by Kutxabank under the SNP Green Notes, such payment will be made net of Spanish withholding tax, currently at the rate of 19 per cent. If this were to occur, affected beneficial owners will receive a refund of the amount withheld, with no need for action on their part, if the Iberclear Members submit a duly executed and completed Payment Statement to Kutxabank no later than the tenth calendar day of the month immediately following the relevant payment date. In addition, beneficial owners may apply directly to the Spanish tax authorities for any refund to which they may be entitled, according to the procedures set forth in the Spanish NRIT Law.

**Prospective investors should note that Kutxabank does not accept any responsibility relating to the lack of delivery of a duly executed and completed Payment Statement by the Iberclear Members in connection with each payment of income under the SNP Green Notes. Accordingly, Kutxabank will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose income payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to Kutxabank. Moreover, Kutxabank will not pay any additional amounts with respect to any such withholding tax.**

### **The proposed financial transactions tax ("FTT")**

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has ceased to participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the SNP Green Notes (including secondary's market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the SNP Green Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the SNP Green Notes are advised to seek their own professional advice in relation to the FTT.

### **The Spanish financial transactions tax**

On 16 October 2020, the Spanish Parliament approved the Law 5/2020, of 15 October, on the Tax on Financial Transactions ("**Spanish FTT Law**") introducing the Spanish Financial Transaction Tax ("**Spanish FTT**") that entered into force on 16 January 2021.

The Spanish FTT is aligned with the French and Italian financial transactions tax. Specifically, the Spanish FTT is an indirect tax levied at a rate of 0.2 per cent. on the acquisitions for consideration of shares issued by Spanish companies regardless of the residency of the parties involved in the transaction, or of the jurisdiction where the shares are traded, provided that they comply with the following conditions: (i) the shares should be admitted to trading on a regulated market under MiFID II (or in a foreign market declared equivalent by the European Commission), and (ii) the stock market capitalization value of the company should exceed €1,000,000,000. The Spanish FTT will be payable on a monthly basis.

However, according to the Spanish FTT Law, the Spanish FTT should not apply in relation to the SNP Green Notes.

## FATCA

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a "foreign financial institution" may be required to withhold on certain payments it makes ("**foreign passthru payments**") to persons that fail to meet certain certification, reporting, or related requirements. The Issuer may be a foreign financial institution for these purposes. A number of jurisdictions (including the jurisdiction of the Issuer) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the SNP Green Notes, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the SNP Green Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the SNP Green Notes, such withholding would not apply prior to the date that is two years after the publication of the final regulations defining "foreign passthru payment". Holders should consult their own tax advisors regarding how these rules may apply to their investment in the SNP Green Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the SNP Green Notes, no person will be required to pay additional amounts as a result of the withholding.

*Set out below is Annex I. Sections in English have been translated from the original Spanish and such translations constitute direct and accurate translations of the Spanish language text. In the event of any discrepancy between the Spanish language version of the certificate contained in Annex I and the corresponding English translation, the Spanish tax authorities will give effect to the Spanish language version of the relevant certificate only.*

*The language of the Prospectus is English. Any foreign language text that is included with or within this document has been included for convenience purposes only and does not form part of this Prospectus.*

## ANNEX I

**Anexo al Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos, aprobado por Real Decreto 1065/2007**

**Modelo de declaración a que se refieren los apartados 3, 4 y 5 del artículo 44 del Reglamento General de las actuaciones y los procedimientos de gestión e inspección tributaria y de desarrollo de las normas comunes de los procedimientos de aplicación de los tributos**

Annex to Royal Decree 1065/2007, of 27 July, approving the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

Declaration form referred to in paragraphs 3, 4 and 5 of Article 44 of the General Regulations of the tax inspection and management procedures and developing the common rules of the procedures to apply taxes

**Don (nombre), con número de identificación fiscal ( ) (1), en nombre y representación de (entidad declarante), con número de identificación fiscal ( ) (1) y domicilio en ( ) en calidad de (marcar la letra que proceda):**

Mr. (name), with tax identification number ( ) (1), in the name and on behalf of (entity), with tax identification number ( ) (1) and address in ( ) as (function – mark as applicable):

- (a) Entidad Gestora del Mercado de Deuda Pública en Anotaciones.**
  - (a) Management Entity of the Public Debt Market in book-entry form.
- (b) Entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero.**
  - (b) Entity that manages the clearing and settlement system of securities resident in a foreign country.
- (c) Otras entidades que mantienen valores por cuenta de terceros en entidades de compensación y liquidación de valores domiciliadas en territorio español.**
  - (c) Other entities that hold securities on behalf of third parties within clearing and settlement systems domiciled in the Spanish territory.
- (d) Agente de pagos designado por el emisor.**
  - (d) Issuing and Paying Agent appointed by Kutxabank.

**Formula la siguiente declaración, de acuerdo con lo que consta en sus propios registros:**

Makes the following statement, according to its own records:

- 1. En relación con los apartados 3 y 4 del artículo 44:**
  - 1. In relation to paragraphs 3 and 4 of Article 44:
    - 1.1 Identificación de los valores .....**
      - 1.1 Identification of the securities .....
    - 1.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) .....**
      - 1.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
    - 1.3 Importe total de los rendimientos (o importe total a reembolsar, en todo caso, si son valores emitidos al descuento o segregados) .....**
      - 1.3 Total amount of income (or total amount to be refunded, in any case, if the securities are issued at discount or are segregated) .....

- 1.4 Importe de los rendimientos correspondiente a contribuyentes del Impuesto sobre la Renta de las Personas Físicas, excepto cupones segregados y principales segregados en cuyo reembolso intervenga una Entidad Gestora. ....**
- 1.4 Amount of income corresponding to Personal Income Tax taxpayers, except segregated coupons and segregated principals for which reimbursement an intermediary entity is involved.....
- 1.5 Importe de los rendimientos que conforme al apartado 2 del artículo 44 debe abonarse por su importe íntegro (o importe total a reembolsar si son valores emitidos al descuento o segregados) .....**
- 1.5 Amount of income which according to paragraph 2 of Article 44 must be paid gross (or total amount to be refunded if the securities are issued at discount or are segregated).
- 2 En relación con el apartado 5 del artículo 44. ....**
- 2 In relation to paragraph 5 of Article 44. ....
- 2.1 Identificación de los valores .....**
- 2.1 Identification of the securities .....
- 2.2 Fecha de pago de los rendimientos (o de reembolso si son valores emitidos al descuento o segregados) .....**
- 2.2 Income payment date (or refund if the securities are issued at discount or are segregated) .....
- 2.3 Importe total de los rendimientos (o importe total a reembolsar si son valores emitidos al descuento o segregados) .....**
- 2.3 Total amount of income (or total amount to be refunded if the securities are issued at discount or are segregated).....
- 2.4 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero A. ....**
- 2.4 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country A.
- 2.5 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero B. ....**
- 2.5 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country B. ....
- 2.6 Importe correspondiente a la entidad que gestiona el sistema de compensación y liquidación de valores con sede en el extranjero C. ....**
- 2.6 Amount corresponding to the entity that manages the clearing and settlement system of securities resident in a foreign country C. ....

**Lo que declaro en.....a ... de.....de ...**

I declare the above in ..... on the ... of ..... of ...

- (1) En caso de personas, físicas o jurídicas, no residentes sin establecimiento permanente se hará constar el número o código de identificación que corresponda de conformidad con su país de residencia.**
- (1) In case of non-residents (individuals or corporations) without permanent establishment in Spain it shall be included the number or identification code which corresponds according to their country of residence.



## SUBSCRIPTION AND SALE

Barclays Bank Ireland PLC, Banco Bilbao Vizcaya Argentaria, S.A., HSBC Continental Europe, Norbolsa, S.V., S.A. and Société Générale (the "**Joint Lead Managers**") have, in a subscription agreement dated 8 October 2021 (the "**Subscription Agreement**") and made between Kutxabank and the Joint Lead Managers, upon the terms and subject to the conditions contained therein, jointly and severally agreed to procure subscribers, or subscribe and pay for the SNP Green Notes on the Issue Date at their issue price of 99.671 per cent. of their principal amount less a combined management and underwriting commission. The Issuer has also agreed to reimburse the Joint Lead Managers for certain of their expenses incurred in connection with the management of the issue of the SNP Green Notes.

Kutxabank will use all reasonable endeavours to procure that the SNP Green Notes are admitted to listing on AIAF and to maintain such admission until none of the SNP Green Notes is outstanding.

### **Selling Restrictions**

#### ***Prohibition of Sales to EEA Retail Investors***

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any SNP Green Notes to any retail investor in the EEA. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or
- (ii) a customer within the meaning of Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

The expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the SNP Green Notes to be offered so as to enable an investor to decide to purchase or subscribe for the SNP Green Notes.

#### ***Prohibition of Sales to UK Retail Investors***

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any SNP Green Notes to any retail investor in the UK. For the purposes of this provision the expression "retail investor" means a person who is one (or more) of the following:

- (i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law of the UK by virtue of the EUWA; or
- (ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law of the UK by virtue of the EUWA.

The expression an "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the SNP Green Notes to be offered so as to enable an investor to decide to purchase or subscribe for the SNP Green Notes.

### **Other UK regulatory restrictions**

Each Joint Lead Manager has further represented and agreed that:

- (i) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of the SNP Green Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and
- (ii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the SNP Green Notes in, from or otherwise involving the UK.

## **United States of America**

The SNP Green Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

The SNP Green Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the United States Internal Revenue Code and regulations thereunder.

Each Joint Lead Manager has agreed that, except as permitted by the Subscription Agreement, it has not offered, sold or delivered and will not offer, sell or deliver the SNP Green Notes, (a) as part of their distribution at any time or (b) otherwise, until 40 days after the later of the commencement of the offering and the Issue Date, within the United States or to, or for the account or benefit of, U.S. persons, and that it will have sent to each dealer to which it sells SNP Green Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the SNP Green Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after commencement of the offering, an offer or sale of SNP Green Notes within the United States by a dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

## **Spain**

Each Joint Lead Manager has represented and agreed that the SNP Green Notes have not been offered or sold in Spain other than by institutions authorised under the Spanish Securities Market Law, and related legislation, to provide investment services in Spain, and as agreed between the Issuer and the Joint Lead Managers, offers of the SNP Green Notes in Spain have only been directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the Spanish Securities Market Law and Article 58 of Royal Decree 217/2008, of 15 February, and eligible counterparties (*contrapartes elegibles*) as defined in Article 207 of the Spanish Securities Market Law.

## **Belgium**

Each Joint Lead Manager has represented and agreed that an offering of SNP Green Notes may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a "**Belgian Consumer**") and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the SNP Green Notes, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the SNP Green Notes, directly or indirectly, to any Belgian Consumer.

## **Switzerland**

The offering of the SNP Green Notes in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act ("**FinSA**"). This Prospectus does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the SNP Green Notes.

## **Italy**

The offering of the SNP Green Notes has not been registered pursuant to Italian securities legislation and, accordingly, no SNP Green Notes may be offered, sold or delivered, nor may copies of this Prospectus (including, without limitation, any supplement to the Prospectus) or any other document relating to the SNP Green Notes be distributed in the Republic of Italy ("**Italy**"), except in accordance with any Italian securities, tax and other applicable laws and regulations.

Each Joint Lead Manager has represented and agreed that it has not offered, sold or delivered, and will not offer, sell or deliver any SNP Green Notes or distribute any copy of this Prospectus or any other document relating to the SNP Green Notes in Italy except:

- (i) to qualified investors (*investitori qualificati*), as defined pursuant to the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Financial Services Act**") and/or Italian CONSOB regulations; or
- (ii) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14 May 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the SNP Green Notes or distribution of copies of the Prospectus or any other document relating to the SNP Green Notes in Italy under (i) or (ii) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15 February 2018 (as amended from time to time) and Legislative Decree No. 385 of 1 September 1993, as amended (the "**Banking Act**"); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

#### **France**

Each of the Joint Lead Managers has represented and agreed that it has only offered or sold and will only offer or sell, directly or indirectly, any SNP Green Notes in France to, and it has only distributed or caused to be distributed and will only distribute or cause to be distributed in France, the Prospectus or any other offering material relating to the SNP Green Notes to qualified investors as defined in Article 2(e) of the Prospectus Regulation.

#### **General**

Each Joint Lead Manager has represented, warranted and agreed that it has complied and will comply with all applicable laws and regulations in each country or jurisdiction in which it purchases, offers, sells or delivers SNP Green Notes or possesses, distributes or publishes this Prospectus or any other offering material relating to the SNP Green Notes. Persons into whose hands this Prospectus comes are required by the Issuer and the Joint Lead Managers to comply with all applicable laws and regulations in each country or jurisdiction in which they purchase, offer, sell or deliver SNP Green Notes or possess, distribute or publish this Prospectus or any other offering material relating to the SNP Green Notes, in all cases at their own expense.

## MARKET INFORMATION

### Summary of Clearance and Settlement Procedures

Below is a brief summary of the Spanish clearance and settlement procedures applicable to book-entry securities such as the SNP Green Notes of Kutxabank.

The Spanish clearing, settlement and recording system of securities transactions has undergone a significant reform to align it with the EU practices and standards and prepare it for the implementation of future integration projects (the "**Reform**"). Following the Reform, which implementation was completed by 18 September 2017, the Spanish clearing, settlement and registry procedures of securities transactions allows the connection of the post-trading Spanish systems to the European system TARGET2 Securities.

The Reform has introduced three main changes that, in turn, involve a number of operating modifications. These changes include (i) a new recording system based on balances, (ii) the introduction of a central clearing counterparty (BME Clearing, S.A., "**BME Clearing**" or the "CCP"), and (iii) the integration of the current CADE (*Central de Anotaciones de Deuda Pública*) and SCLV (*Servicio de Compensación y Liquidación de Valores*) into a single platform managed by Iberclear which operates under the trade name of ARCO.

### *Iberclear and BME Clearing*

Iberclear is the Spanish central securities depository in charge of both the register of securities held in book-entry form, and the settlement of all trades from the Spanish Stock Exchanges, Latibex (the Latin American stock exchange denominated in Euro), the Alternative Stock Market (BME Growth), Alternative Fixed Income Market (MARF) and AIAF. To achieve this, Iberclear uses the technical platforms named ARCO.

Iberclear is owned by Bolsas y Mercados Españoles, Sociedad Holding de Mercados y Sistemas Financieros, S.A. ("**BME**"), a holding company, which holds a 100 per cent. interest in each of the Spanish official secondary markets and settlement systems. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

The securities recording system of Iberclear is a two tier registry: the keeping of the central record corresponds to Iberclear and the keeping of the detail records correspond to the participating entities (*entidades participantes*) in Iberclear.

Access to become a participating entity is restricted to (i) credit institutions, (ii) investment services companies which are authorised to render custody and administration of financial instruments, (iii) the Bank of Spain, (iv) the General Administration and the General Social Security Treasury, (v) other duly authorised central securities depositories and central clearing counterparties and (vi) other public institutions and private entities when expressly authorised to become a participating entity in central securities depositories.

The central registry managed by Iberclear reflects (i) one or several proprietary accounts which show the balances of the participating entities' proprietary accounts; (ii) one or several general third-party accounts that will show the overall balances that the participating entities hold for third parties; (iii) individual accounts opened in the name of the owner, either individual or legal person; and (iv) individual special accounts of financial intermediaries which use the optional procedure of settlement of orders. Each participating entity, in turn, maintains the detail records of the owners of the securities or the shares held in their general third-party accounts.

According to the above, Spanish law considers the owner of the securities to be:

- the participating entity appearing in the records of Iberclear as holding the relevant securities in its own name;
- the investor appearing in the records of the participating entity as holding the securities; or
- the investor appearing in the records of Iberclear as holding securities in a segregated individual account.

BME Clearing is the CCP in charge of the clearing of transactions closed on the Spanish Stock Exchanges. BME Clearing interposes itself on its own account as seller in every purchase and as buyer in every sale. It calculates the buy and sell positions vis-à-vis the participants designated in such buy or sell instructions. The CCP then generates and send to Iberclear the relevant settlement instructions. BME Clearing is also owned by BME.

The settlement and book-entry registration platform managed by Iberclear, which operates under the trade name of ARCO (for both equity securities and fixed-income securities as from September 2017), receives the settlement instructions from BME Clearing and forwards them to the relevant participating entities involved in each transaction. ARCO operates under a T+2 settlement standard, by which any transactions must be settled within two business days following the date on which the transaction was completed.

To evidence title to securities, at the owner's request the relevant participating entity must issue a legitimation certificate (*certificado de legitimación*). If the owner is a participating entity or a person holding securities in a segregated individual account, Iberclear is in charge of the issuance of the certificate regarding the securities held in their name.

### **Market Information in relation to the SNP Green Notes**

#### ***Iberclear Settlement of securities traded on AIAF***

Iberclear and the participating entities (*entidades participantes*) in Iberclear have the function of keeping the book-entry register of securities traded on AIAF.

Securities traded on AIAF are fixed income securities, including corporate bonds (for example, medium term SNP Green Notes and mortgage bonds) and bonds issued by the Spanish Treasury and Spanish regions, among others, represented either in a dematerialised form or by certificates.

In the AIAF settlement system, transactions may be settled spot, forward (settlement date more than five days after the relevant trade date), with a repurchase agreement on a fixed date and double or simultaneous transactions (two trades in opposite directions with different settlement dates).

The settlement system used for securities admitted for trading in AIAF is the Model 1 delivery versus payment system, as per the classification of the Bank for International Settlements: that is, it is a "transaction-to-transaction" cash and securities settlement system with simultaneity in its finality.

Transactions are settled on the stock-exchange business day agreed by participants at the moment of the trade.

#### ***Euroclear and Clearstream***

Investors who do not have, directly or indirectly through their custodians, a participating account with Iberclear may hold their investment in the SNP Green Notes through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A. with participating entities in Iberclear.

## GENERAL INFORMATION

### Responsibility Statement

1. Kutxabank, duly represented by the undersigned, Mr. Íñigo López Tapia, in his capacity as Capital Markets and Investors Relations Manager of Kutxabank and acting under a special power of attorney granted by the Executive Committee of Kutxabank, accepts responsibility for the information contained in this Prospectus and declares, to the best of his knowledge, that the information contained in this Prospectus is in accordance with the facts and that the Prospectus makes no omission likely to affect its import.

### Authorisation

2. The creation and issue of the SNP Green Notes has been authorised by means of the resolutions adopted by (i) the general shareholders' meeting of the Issuer on 1 October 2021; (ii) the Board of Directors of the Issuer dated 29 July 2021, and (iii) the Executive Committee of the Issuer dated 15 July 2021.

### Legal and Arbitration Proceedings

3. There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to the date of this Prospectus, a significant effect on the financial position of the Issuer.

### Significant/Material Change

4. Save as disclosed in this Prospectus, since 31 December 2020 there has been no material adverse change in the prospects of the Issuer.

Save as disclosed in this Prospectus, since 30 June 2021 there has been no significant change in the financial performance or in the financial position of the Group.

### Auditors

5. The 2019 Consolidated Financial Statements have been audited without qualification by Deloitte, S.L., independent auditors.

Deloitte, S.L.'s office is at Plaza Pablo Ruiz Picasso, 1, Torre Picasso, 28020 Madrid (Spain) and is registered with the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*) under number S0692.

6. The 2020 Consolidated Financial Statements have been audited without qualification by and the 2021 Consolidated First Semester Interim Financial Statements have been subject to limited review by PricewaterhouseCoopers Auditores, S.L., independent auditors.

PricewaterhouseCoopers Auditores, S.L.'s registered address is at Paseo de la Castellana 259B, Torre PwC, 28046 Madrid, Spain, and is a member of the Official Registry for Auditors (*Registro Oficial de Auditores de Cuentas (ROAC)*).

### Third party information

7. Information included in this Prospectus sourced from a third party has been accurately reproduced, and so far as Kutxabank is aware and is able to ascertain from information published by such third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

### Approval of financial information

8. The 2019 Consolidated Financial Statements were approved by the General Shareholders' Meeting of Kutxabank held on 30 April 2020.

The 2020 Consolidated Financial Statements were approved by the General Shareholders' Meeting of Kutxabank held on 12 April 2021.

The 2021 Consolidated First Semester Interim Financial Statements were approved by the Board of Directors of Kutxabank on its meeting held on 29 July 2021.

#### **Documents on display**

13. Electronic copies of the bylaws (*Estatutos Sociales*) of Kutxabank may be inspected on Kutxabank's website.

#### **Material Contracts**

14. There are no material contracts that are not entered into in the ordinary course of the Issuer's business, which contain provisions under which Kutxabank or any member of the Kutxabank Group has an obligation or entitlement which is, or may be, material to the ability of Kutxabank to meet its obligations in respect of the SNP Green Notes.

#### **Yield**

15. On the basis of the issue price of the SNP Green Notes of 99.671 per cent. of their principal amount and assuming the SNP Green Notes will be redeemed on the Reset Date, the annual yield of the SNP Green Notes is 0.567 per cent. This is not an indication of future yield.

#### **Clearing: ISIN and Common Code**

16. The SNP Green Notes will be admitted to listing on AIAF and have been accepted for clearance through Iberclear. The SNP Green Notes bear the ISIN ES0243307016 and the Common Code 239828558.

#### **Approval of the Prospectus and listing**

17. This Prospectus has been approved by the CNMV, which is the Spanish competent authority under the Prospectus Regulation and the restated text of the Spanish Securities Market Law. The CNMV has only approved this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation, and such approval should not be considered as an endorsement of the Issuer or the quality of the SNP Green Notes that are the subject of this Prospectus. Investors should make their own assessment as to the suitability of investing in the SNP Green Notes.
18. Application has been made for the SNP Green Notes to be admitted to trading on AIAF.

#### **Paying agency**

19. All payments under the Conditions will be carried out directly by Kutxabank through Iberclear. The corporate address of Iberclear is Plaza de la Lealtad 1, 28014 Madrid, Spain.

#### **Ratings**

20. The SNP Green Notes are rated "Baa3" by Moody's, "BBB-" by S&P and "BBB+" by Fitch.

In accordance with Moody's ratings definitions, obligations rated "Baa" are judged to be medium-grade and subject to moderate credit risk and as such may possess certain speculative characteristics.

In accordance with S&P's ratings definitions, an obligation rated "BBB" exhibits adequate protection parameters. However, adverse economic conditions or changing circumstances are more likely to weaken the obligor's capacity to meet its financial commitments on the obligation.

In accordance with Fitch's ratings definitions, a rating of "BBB" indicates that expectations of default risk are currently low. The capacity for payment of financial commitments is considered adequate, but adverse business or economic conditions are more likely to impair this capacity.

Moody's, S&P and Fitch are established in the EU and are registered under the CRA Regulation Regulation. Moody's, S&P and Fitch appear on the latest update of the list of registered credit rating agencies (as at 7 May 2021) on the ESMA website. The ratings Moody's, S&P and Fitch have given to the SNP Green Notes are endorsed by Moody's Investors Service Limited, S&P Global Ratings UK Limited and Fitch Ratings Limited, respectively, which are established in the UK and registered under the UK CRA Regulation.

## Stabilisation

21. In connection with the issue of the SNP Green Notes, Barclays Bank Ireland PLC (the "**Stabilisation Manager**") (or persons acting on behalf of any Stabilisation Manager) may over allot SNP Green Notes or effect transactions with a view to supporting the market price of the SNP Green Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the SNP Green Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the SNP Green Notes and 60 days after the date of the allotment of the SNP Green Notes. Any stabilisation action or over allotment must be conducted by the relevant Stabilisation Manager (or person(s) acting on behalf of any Stabilisation Manager) in accordance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse (Market Abuse Regulation) and any other applicable laws and rules.

## Interests of natural and legal persons involved in the offer of the SNP Green Notes

22. Save as discussed in "*Subscription and Sale*", so far as Kutxabank is aware, no person involved in the offer of the SNP Green Notes had an interest material to the offer.

## Other relationships

23. Certain Joint Lead Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, Kutxabank and its affiliates in the ordinary course of business. In addition, in the ordinary course of their business activities, the Joint Lead Managers and their affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers. Such investments and securities activities may involve securities and/or instruments of Kutxabank or its affiliates. Certain Joint Lead Managers or their affiliates that have a lending relationship with Kutxabank routinely hedge their credit exposure to Kutxabank consistent with their customary risk management policies. Typically, such Joint Lead Managers and their affiliates would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in securities, including potentially the SNP Green Notes issued under this Prospectus. Any such short positions could adversely affect future trading prices of SNP Green Notes issued under this Prospectus. The Joint Lead Managers and their affiliates may also make investment recommendations and/or publish or express independent research views in respect of such securities or financial instruments and may hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## Expenses related to the admission to trading

24. For informative purposes only, an approximate estimate of the expenses payable by Kutxabank in relation to the admission to trading is as follows:

Type of expense	Euro (estimated amount)
Charges and fees of AIAF and Iberclear .....	10,500
CNMV fees (listing) .....	50,000
<b>Total</b> .....	<b>60,500</b>



## **SIGNATURES**

In witness to their knowledge and approval of the contents of this Prospectus drawn up according to Annexes 7 and 15 of Delegated Regulation (EU) 2019/980 of 14 March 2019, it is hereby signed by Mr. Íñigo López Tapia, in his capacity as Capital Markets and Investors Relations Manager of Kutxabank, S.A., in San Sebastián (Spain), on 14 October 2021.

**REGISTERED OFFICE OF KUTXABANK**

**KUTXABANK, S.A.**

Gran Vía, 30  
Bilbao  
Spain

**JOINT LEAD MANAGERS**

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**LEGAL ADVISORS**

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*To the Joint Lead Managers as to Spanish law:*

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