

Kutxabank **Social Covered Bond**

4Q2015 Follow-up



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Kutxabank Social Covered Bond

Transaction Details



Social Covered Bond

A regular Cédulas Hipotecarias with a social positive outcome

1st Spanish bank issuing a SRI Bond

- Kutxabank launched the first SRI/Social Bond from an Spanish Financial Institution and the largest SRI Covered Bond until that time.
- A Social Bond to finance lending activities that support low-income individuals and families with access to adequate accommodation.
- The proceeds of the bond shall be used for financing existing VPO-Social housing purchasing loans and to finance new loans and new social housing projects during the term of the Social covered bond.

Issuer	Kutxabank S.A.
Type	Cédulas Hipotecarias (Social Covered Bond)
Rating	Aa2 (Moody's), A+ (S&P)
Size	EUR 1bn
Pricing	9/14/2015
Maturity	9/22/2025
Settlement	9/22/2015
Coupon	1.250% Fixed, Annual, Act/Act ICMA
Reoffer	MS+35bp / 99.330%
Yield	1.322%
Denoms	€100,000 + €100,000
Listing/Docs	AIAF/Spanish domestic
ISIN	ES0443307063

Kutxabank Social Covered Bond

Official stats

Chart 1. Distribution by Geography (% of allocation).

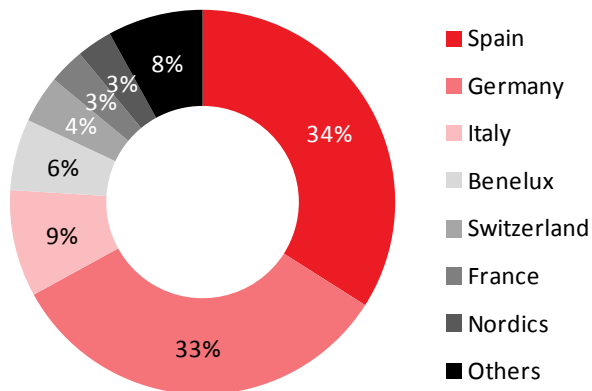


Chart 2. Distribution by Investor Type (% of allocation).

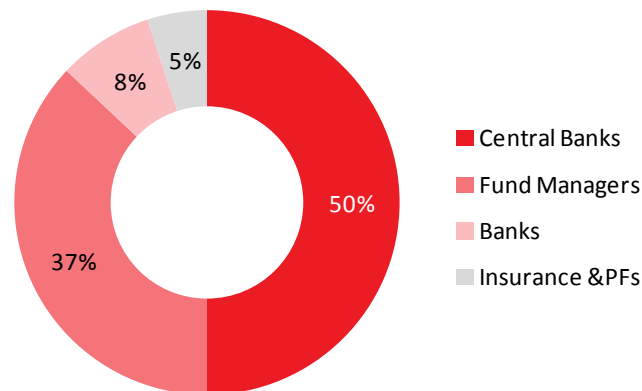
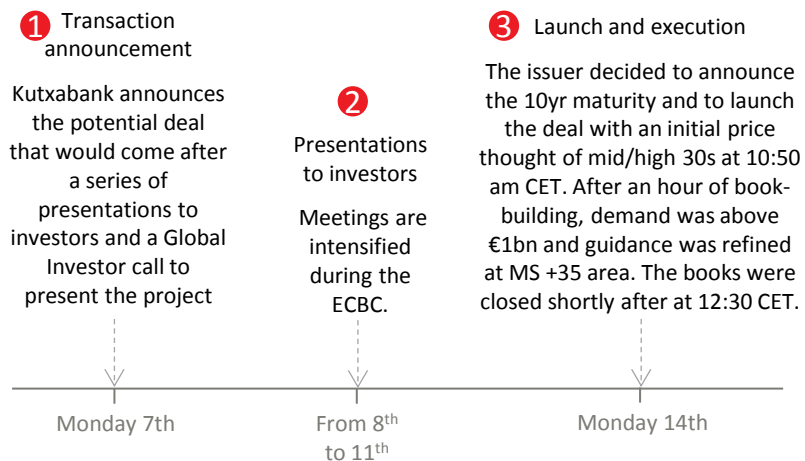


Chart 3. The new issue steps.



- The marketing exercise was important to explain the project and the rationale of the deal, and also to find out the meeting point for interests on both sides in a very challenging covered bond market environment.
- Final orderbook of €1.1bn, The book gathered interest from over 45 investors, of which more than 20 accounts take ESG aspects into consideration in their investment decisions.
- Given the size and high quality of demand, the deal size was quickly set at €1bn and the final spread fixed at MS+35bp, equivalent to a landmark SPGB-75bp at the time of pricing.

Kutxabank Social Covered Bond

Press releases

TheCover - “Differentiation is the key!”

“Issuers are always looking for ways to make covered bonds more attractive and differentiate their deals. With covered bonds offering little yield, anything that helps investors to discriminate between one deal and another is helpful for any issuer”

“Kutxabank’s social bond framework is aligned with market best practices and norms, such as the Green Bond Principles.”

The Covered Bond Report - “Kutxabank differentiates with social housing deal”

“Kutxabank’s commitment to financing social housing loans is a key differentiator that sets its product apart from the rest of the regular mortgage-backed Cédulas market. This is because it is likely to attract a number of socially conscious investors, especially those with an Environmental and Social Governance investment mandate (ESG)”

“Kutxabank social housing cédulas to take SRI beyond Germany”

“A robust and credible social bond with a positive social outcome”

International Financing Review

“Rarity value played into Kutxabank's hands on Monday morning as the bank swiftly accrued more than €1bn of interest for a debut social covered bond...

...Kutxabank's trade is more unusual both in terms of format and tenor and for many investors would prove the more compelling deal”

Domestic press

Expansión

Kutxabank emite las primeras 'cédulas hipotecarias sociales'

El grupo vasco se convierte de esta forma en la primera entidad financiera española en lanzar una emisión de 'social covered bonds'

El Mundo

Kutxabank emitirá cédulas hipotecarias para financiar préstamos de VPO

Primera entidad financiera que pone en el mercado los 'social covered bonds'

El Correo

Kutxabank emitirá cédulas hipotecarias para financiar préstamos de VPO

La entidad considera que el proyecto posibilitará el acceso a viviendas de protección oficial de personas con menor poder adquisitivo

Deia

Kutxabank emitirá cédulas hipotecarias para financiar VPO

Kutxabank Social Covered Bond

Use of proceeds

The proceeds from Kutxabank's social bond will be allocated towards new loans made under the Basque government's¹ VPO program and to construction finance for new *VPO-Social housing* developments during the life of the issue and until the amount of €1,000 Mn is completed. The remaining amount not covered will be allocated to refinancing existing loans made under the VPO program.

A. New VPO loans: New loans for *VPO-Social house* purchasing under defined eligibility criteria.

Table 1. New loans production from 22/09/2015 to year end.

VPO loans (Basque Country)	€	21,016,957.76
Number of loans	units	199
Original average size	€	105,612.85
WA life (contractual basis)	years	27.9
Number of final beneficiaries	ind.	272

B. New social housing projects : New loans for financing the construction of VPO-Social housing projects.

Table 2. New loans production from 22/09/2015 to year end.

Loans (Basque Country)	€	9,945,000.00
Number of loans	units	1
Original average size	€	9,945,000.00
WA life (contractual basis)	years	30.0

C. Existing VPO loans: Good quality existing VPO loans in the cover pool. Amount of VPO loans in the Basque Country of €1.5 bn with a NPL ratio of 1.07%.

Kutxabank Social Covered Bond

Use of proceeds

A. New VPO loans: New loans for VPO-Social house purchasing under defined eligibility criteria.

Table 3. New loans production by issue date from 22/09/2015 to year end.

Issue date	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
	€	units	€	ind.	years	%	%
September	3,069,665.79	29	105,850.54	45	26.83	72.75	2.12
October	5,430,842.77	50	108,616.86	61	25.98	70.43	2.00
November	5,439,167.95	51	106,650.35	74	25.43	71.16	2.05
December	7,077,281.25	69	102,569.29	92	27.37	73.64	1.92
Total	21,016,957.76	199	105,612.85	272	26.43	72.04	2.00

Table 4. New loans production by balance from 22/09/2015 to year end.

Balance	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
€	€	units	€	ind.	years	%	%
0-25,000	0.00	0	0.00	0	0.00	0.00	0.00
25,000-50,000	379,087.50	7	54,155.36	10	12.33	27.42	1.46
50,000-75,000	903,368.49	14	64,526.32	17	21.10	50.13	1.73
75,000-100,000	5,534,922.86	60	92,248.71	74	24.64	62.52	1.90
100,000-125,000	9,176,299.34	81	113,287.65	115	28.00	77.89	2.16
125,000-150,000	4,563,402.23	34	134,217.71	50	27.41	81.18	1.86
150,000-175,000	459,877.34	3	153,292.45	6	28.93	58.97	2.60
175,000-200,000	0.00	0	0.00	0	0.00	0.00	0.00
Total	21,016,957.76	199	105,612.85	272	26.43	72.04	2.00

Kutxabank Social Covered Bond

Use of proceeds

A. New VPO loans: New loans for VPO-Social house purchasing under defined eligibility criteria.

Table 5. New loans production by LTV from 22/09/2015 to year end.

LTV	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
%	€	units	€	ind.	years	%	%
0-20	45,000.00	1	45,000.00	1	4.30	13.12	1.04
20-40	583,791.47	9	64,865.72	15	18.16	32.38	1.72
40-50	1,185,649.64	14	84,689.26	16	22.27	43.50	1.79
50-60	1,408,998.67	16	88,062.42	18	22.85	50.96	1.59
60-70	2,756,206.21	29	95,041.59	40	24.99	63.65	2.06
70-80	10,597,445.93	94	112,738.79	132	27.53	77.46	2.04
>80	4,439,865.84	36	123,329.61	50	28.26	84.43	2.10
Total	21,016,957.76	199	105,612.85	272	26.43	72.04	2.00

Table 6. New loans production by maturity from 22/09/2015 to year end.

Maturity	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
years	€	units	€	ind.	years	%	%
0-5	0,00	0	0.00	0	0.00	0.00	0.00
5-10	150,000.00	3	50,000.00	5	7.52	29.30	1.47
10-15	827,950.00	10	82,795.00	15	12.46	54.35	1.64
15-25	4,304,535.87	45	95,656.35	56	20.69	65.16	1.81
25-50	15,734,471.89	141	111,592.00	196	28.92	75.26	2.08
Total	21,016,957.76	199	105,612.85	272	26.43	72.04	2.00

Kutxabank Social Covered Bond

Use of proceeds

A. New VPO loans: New loans for VPO-Social house purchasing under defined eligibility criteria.

Table 7. New loans production by type of interest rate from 22/09/2015 to year end.

Type of Interest rate	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
	€	units	€	Ind.	years	%	%
Floating	13,289,051.15	128	103,820.71	167	25.87	70.42	1.64
Fixed	7,727,906.61	71	108,843.76	105	27.40	74.83	2.62
Total	21,016,957.76	199	105,612.85	272	26.43	72.04	2.00

B. New social housing projects : New loans for financing the construction of VPO-Social housing projects.

Table 8. New loans production by issue date from 22/09/2015 to year end.

Issue date	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
	€	units	€	Ind.	years	%	%
September	0.00	0	0.00	0	0.00	0.00	0.00
October	0.00	0	0.00	0	0.00	0.00	0.00
November	9,945,000.00	1	9,945,000.00	1	30.00	25.35	3.15
December	0.00	0	0.00	0	0.00	0.00	0.00

Kutxabank Social Covered Bond

Reporting

As is specified in the Kutxabank Social Bond SECOND-PARTY REVIEW carried out by Sustainalytics, Kutxabank has committed to disclose, on an annual basis, the total amount of loans provided under this program using the social bond proceeds, the number of loans granted, and the number of individuals to whom Kutxabank granted a mortgage under the VPO program. In the same way, Kutxabank will disclose the number of housing units constructed using social bond proceeds. Additionally, to verify the management of proceeds, on an annual basis, Kutxabank's external auditor will review the amount of bond funds allocated to mortgages and construction finance of houses under VPO program and the balance of unallocated funds.

What is more, given the company's commitment to transparency, it will divulge a report twice a year with the information mentioned above. This will be available in Kutxabank's Investor Relations Website. Click [here](#) to access directly.

Besides of this report, the entity shall disclose the management of proceeds in the audited Annual Financial Statement. To access company's Annual Financial Statements click [here](#).