

Kutxabank **Social Covered Bond**

2H2022 *Follow-up*



Disclaimer

This document, its content, its annexes and/or amendments (the “Document”) has been made up by Kutxabank, S.A. (“Kutxabank”) for information purposes only and does not constitute, nor must it be interpreted as, an offer to buy or sell, any securities, futures, options or other financial instruments. None of the information contained in this Document constitutes a recommendation of investment, or legal, tax or any other type of advise and it should not be relied upon to make any investment or decision. Any and all the decisions taken by any third party as a result of the information contained in this Document, are the sole and exclusive risk and responsibility of that third party and Kutxabank shall not be responsible for any damages drove from the use of this document or its content. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by Kutxabank in relation to such specific issue.

The facts and opinions included in this Document are furnished as to the date of this Document and are based on Kutxabank's estimations and on sources believed to be reliable by Kutxabank but Kutxabank does not warrant its completeness, timeliness or accuracy. The facts, information and opinions contained in this Document are subject to changes and modifications.

This Document has at no time been submitted to the Comisión Nacional del Mercado de Valores (CNMV – the Spanish Stock Markets regulatory body) for approval or scrutiny. In all cases its contents are regulated by the Spanish law applicable at time of writing, and it is not addressed to any person or legal entity located in any other jurisdiction. For this reason it may not necessarily comply with the prevailing norms or legal requisites as required in other jurisdictions.

This Document may contain declarations which constitute forward-looking statements and referents to Kutxabank's current intentions, believes or expectations regarding future events and trends which under no circumstances constitute a warranty as to future performance or results.

This Document has been furnished exclusively as information and it must not be disclosed, published or distributed without the prior written consent of Kutxabank. Any failure to observe this restriction may constitute a legal infraction which may be sanctioned by law.

Index

A. Transaction details

B. Use of proceeds

C. Reporting

Transaction details

Summary



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

Transaction details

Official stats

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

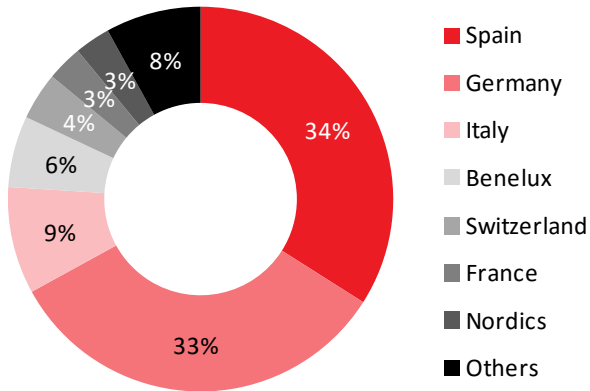


Chart 2. Distribution by Investor Type (% of allocation).

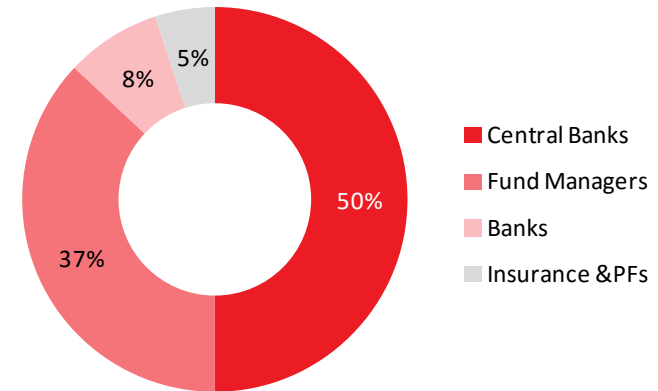
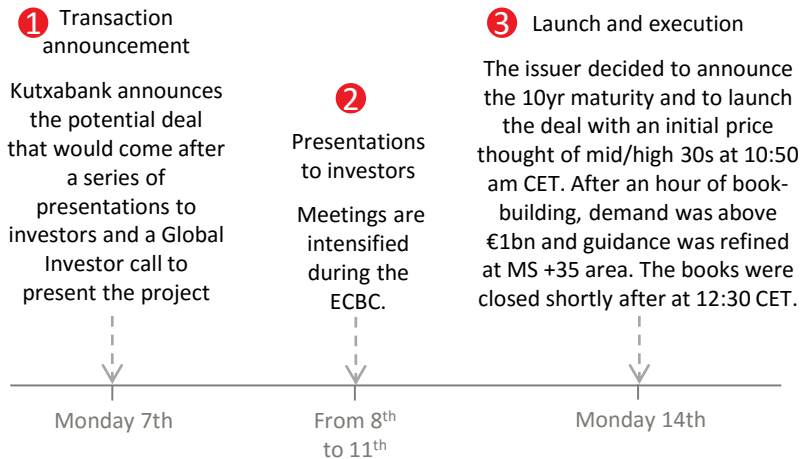


Chart 3. The new issue steps.



- 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.

Transaction details

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

Use of proceeds

Cumulative balance

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. Accumulated new loan production since 09/22/2015.

VPO loans (Basque Country)		€	406,714,708.51
Number of loans	units		3,526
Original average size	€		115,347.34
WA life (contractual basis)	years		26.41
Number of final beneficiaries	ind.		4,711

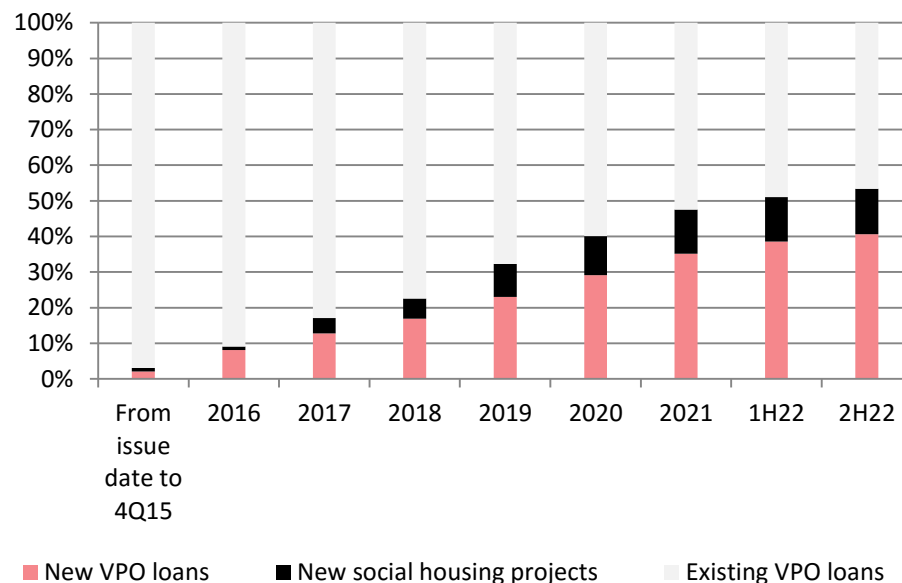
B. New social housing projects : New loans for financing the construction of VPO-Social housing projects.

Table 2. Accumulated new loan production since 09/22/2015.

Loans (Basque Country)		€	127,471,241.50
Number of loans	units		25
Original average size	€		5,098,849.66
WA life (contractual basis)	years		6.25

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 originally.

Graph 4. Degree of progress.



¹ Basque government's VPO programs are carried out by *Etxebide*, a public institution that provides operational support to the performance of the Basque public housing service (www.etxebide.eus).

Use of proceeds

Last reporting period

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

Table 3. New loan production by issue date in 2H22.

Issue date	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
	€	units	€	ind.	years	%	%
July	5,072,861.78	40	126,821.54	49	27.83	74.10	0.98
August	1,738,441.78	15	115,896.12	18	26.78	73.04	0.99
September	3,183,772.65	27	117,917.51	35	27.02	69.54	0.99
October	5,382,585.69	39	138,015.02	49	27.19	71.56	0.99
November	3,446,153.28	25	137,846.13	32	26.96	69.62	0.97
December	1,823,895.92	15	121,593.06	18	28.38	72.47	1.00
Total	20,647,711.10	161	128,246.65	201	27.35	71.75	0.99

Table 4. New loan production by balance in 2H22.

Balance	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
€	€	Units	€	ind.	years	%	%
0-50,000	88,298.64	2	44,149.32	2	19.50	54.60	0.99
50,000-75,000	785,597.15	10	78,559.72	11	18.51	34.12	0.85
75,000-100,000	1,770,297.99	20	88,514.90	22	25.65	60.99	0.99
100,000-125,000	5,087,794.04	45	113,062.09	53	27.14	68.11	0.99
125,000-150,000	7,302,068.63	53	137,774.88	70	27.91	76.08	0.99
150,000-175,000	2,887,651.98	18	160,425.11	23	27.78	77.04	0.99
175,000-200,000	958,119.39	5	191,623.88	6	29.62	81.05	0.99
200,000-225,000	1,272,586.62	6	212,097.77	10	29.72	78.55	1.00
225,000-250,000	234,296.66	1	234,296.66	2	29.95	89.66	1.00
250,000-275,000	261,000.00	1	261,000.00	2	29.94	72.06	1.00
Total	20,647,711.10	161	128,246.65	201	27.35	71.75	0.99

Use of proceeds

Last reporting period

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

Table 5. New loan production by LTV in 2H22.

LTV	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
%	€	units	€	ind.	years	%	%
0-20	0.00	0	-	0	-	-	-
20-40	726,056.97	9	80,673.00	10	19.80	28.07	0.84
40-50	839,988.12	9	93,332.01	12	24.48	44.89	0.99
50-60	1,780,587.40	16	111,286.71	18	23.69	54.46	0.99
60-70	2,879,641.18	25	115,185.65	28	26.33	65.44	0.99
70-80	10,125,376.92	74	136,829.42	95	28.49	76.46	0.99
>80	4,296,060.51	28	153,430.73	38	28.71	84.69	0.99
Total	20,647,711.10	161	128,246.65	201	27.35	71.75	0.99

Table 6. New loan production by maturity in 2H22.

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	-	-	-
5-10	0.00	0	-	0	-	-	-
10-15	369,202.17	4	92,300.54	5	12.65	49.87	0.93
15-25	4,851,734.76	44	110,266.70	53	22.12	63.83	0.99
25-50	15,426,774.17	113	136,520.13	143	29.35	74.77	0.99
Total	20,647,711.10	161	128,246.65	201	27.35	71.75	0.99

Use of proceeds

Last reporting period

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

Table 7. New loan production by type of interest rate in 2H22.

Type of Interest rate	VPO loans (Basque Country)	N. Loans	Original Average size	Beneficiaries	WA life	WA LTV	WA rate
	€	units	€	Ind.	years	%	%
Fixed	20,647,711.10	161	128,246.65	201	27.35	71.75	0,99
Floating	0.00	0	-	0	-	-	-
Total	20,647,711.10	161	128,246.65	201	27.35	71.75	0.99

Reporting

Reporting commitment

As 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](#).