



**DIRECTOR'S REPORT APPROVED ON FEBRUARY 16, 2023 REGARDING THE ISSUANCE OF CONTINGENT CONVERTIBLE PREFERRED SECURITIES INTO ORDINARY SHARES OF CAIXABANK, FOR A TOTAL NOMINAL AMOUNT OF 750,000,000 €, WITH EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS, COMPLETED ON MARCH 13, 2023**

**Report of the Board of Directors of CaixaBank, S.A. regarding the issuance of preferred securities convertible into common shares, with the pre-emptive subscription right disappplied, such issuance to be carried out by virtue of the powers vested in the Board of Directors at the Annual General Meeting held on 14 May 2021, in accordance with Articles 414, 417, 510, 511 and 286, in relation to Article 297.1.b) of the Capital Companies Law (Ley de Sociedades de Capital, or LSC for short)**

**1. INTRODUCTION**

**1.1 Purpose of the report and applicable law and regulations**

This report is drawn up in relation to the resolution to issue preferred securities contingently convertible into new-issue common shares of CaixaBank, S.A.<sup>1</sup> (hereinafter, "**CaixaBank**", the "**Issuer**" or the "**Bank**"), pursuant to Additional Provision One of Law 10/2014 of 26 June on the organisation, supervision and capital adequacy of credit institutions ("**Law 10/2014**") and 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 ("**CRR**") (hereinafter, the "**Preferred Securities**"), for a maximum nominal amount of seven hundred and fifty million euros (€750,000,000) (with incomplete subscription permitted) and disapplying the pre-emptive subscription right (the "**Issuance**"), as adopted by the Bank's Board of Directors on the date of this report further to the powers vested in it by the Annual General Meeting held on 14 May 2021 under item 11 on the agenda (the "**2021 Delegation Agreement**").

For a company to be able to issue bonds convertible into shares, Article 414.2 of the Restated Text of the Capital Companies Law, as enacted by Royal Legislative Decree 1/2010 of 2 July, in its current wording (the "**LSC**"), states that the company's directors must draw up a report explaining the terms and methods for converting such bonds.

Further, Article 417.2 of the LSC states that where an issuance of bonds convertible into shares includes a clause disapplying the pre-emptive rights of shareholders over those bonds, the aforementioned directors' report must also provide detailed reasons for the proposed disapplication of such rights.

In accordance with Article 510 of the LSC, in listed companies, the directors' report must justify the reasonableness of the financial conditions of the issue and the suitability of the conversion ratio and its adjustment formulas to avoid the dilution of the economic interest of shareholders.

Meanwhile, Article 511.1 of the LSC states that also in the case of listed companies, when the Annual General Meeting delegates to the directors the power to issue convertible bonds, it may also grant them authority to disapply the pre-emptive subscription right in relation to those issuances for which powers have been vested in the directors, if doing so is deemed to be in the company's best interests. Section of Article 511 provides that the convertible bond issue agreement adopted based on the

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<sup>1</sup> All information concerning the name, share capital, registered office and significant corporate events of the Bank, as well as its financial information, can be found on its corporate website ([www.caixabank.com](http://www.caixabank.com)).

delegation of the Board will be accompanied by the corresponding director's supporting report.

Assuming that the issuance of convertible bonds by a company entails the approval of the corresponding capital increase to cover the eventual conversion of the issued convertible bonds, the requirements and other formalities required by the LSC in relation to capital increases must also be observed when effecting a convertible bond issuance. Where the issuance of convertible bonds and the corresponding capital increase are approved by the company's directors by virtue of powers vested in them by the general meeting, then in accordance with Article 286 relating to Article 297.1 b) of the LSC the directors must draw up a written report justifying any amendment of the company's By-laws resulting from that capital increase.

This report is therefore issued in compliance with Articles 414, 417, 510, 511 and 286, in relation to 297.1.b) of the LSC, for the purposes of issuing the Preferred Securities and disapplying the pre-emptive subscription right that the shareholders are able to exercise in relation to the Issuance.

This report will be made available to shareholders and will be presented at the first General Shareholders' Meeting to be held after the corresponding resolution to effect the issuance.

## 1.2 **Advice received**

CaixaBank has received advice in relation to the Issuance from (i) J.P. MorganSE, an international investment bank with recognised experience in this type of issue, as the structuring bank of the Issuance; and (ii) the law firm Clifford Chance, S.L.P., acting as legal advisor for the Issuance under the laws of Spain.

## 2. **DELEGATION OF POWERS UPON THE BOARD OF DIRECTORS BY THE GENERAL MEETING DATED 14 MAY 2021**

The Board of Directors intends to issue the Preferred Securities further to the powers vested in it by the 2021 Delegation Agreement, which was approved in the following terms:

*"Delegation to the Board of Directors of the power to issue securities contingently convertible into shares of the Company, or instruments of a similar nature, which have the purpose of or make it possible to meet regulatory requirements to be eligible as Additional Tier 1 Regulatory Capital instruments in accordance with the applicable capital adequacy regulations, for a total maximum amount of up to three thousand five hundred million (3,500,000,000) euros (or its equivalent in other currencies); and the power also to increase share capital by the necessary amount, and to disapply, where applicable, the pre-emptive subscription right.*

*It is agreed to delegate to the Board of Directors of the Company, as widely as necessary in law, the power to issue securities contingently convertible into newly-issued shares of CaixaBank, or instruments of a similar nature, which have the purpose of or make it possible to meet regulatory requirements to be eligible as Additional Tier 1 Regulatory Capital instruments ("CoCos") in accordance with the applicable capital adequacy regulations at any given time, all on the terms described herein, subject to*

*the legal and statutory provisions that are applicable at each time and prior to obtaining, where appropriate, the authorisations that may be necessary for such purposes.*

*For the sake of clarity, it is hereby noted that the issuance of fixed-income securities that are exchangeable for existing shares in the Company or other companies in which CaixaBank may or may not hold a stake, or simply to be settled by offset, falls outside the scope of this delegation of powers and will be governed instead by prevailing law and regulations and by the Company's By-laws.*

*The delegation is made in accordance with the following conditions:*

- 1. The Board of Directors is empowered by virtue of this resolution to issue securities one or several times, at any time, within a maximum of three years from the date the present agreement is approved.*
- 2. The maximum amount of the issuance(s) of the securities agreed on by virtue of this delegation will be THREE THOUSAND FIVE HUNDRED MILLION EUROS (€3,500,000,000) or its equivalent in foreign currency.*
- 3. Issuances made by virtue of this delegation may be aimed at all manner of Spanish or foreign investors.*
- 4. Further to the powers agreed herein and by way of example only, the Board of Directors will be responsible for setting each and every term, characteristic and condition of each issuance of securities under this resolution including, but not limited to, its amount, within the total quantitative limit, the place of issuance (domestic or foreign), the currency and, if foreign, the equivalent value in euros; the denomination or mode in order to be eligible as regulatory capital instruments, in accordance with prevailing regulatory requirements; the date or dates of issue; the manner, time and cases of conversion; the circumstance of being contingently convertible securities; the number of securities and their nominal value, which may not be lower than the nominal value of the shares; the issue price; the form and conditions of the remuneration, whether the interest rate is fixed or variable and the dates and procedures for its payment; the maturity date or perpetual nature; where applicable, the time frames and early redemption events (total or partial); the form of representation; anti-dilution clauses; pre-emptive subscription right, if any, and subscription system; the seniority of the securities and any subordination clauses; the law governing the issuance, whether domestic or foreign; to request, as the case may be, admission for trading on official or non-official secondary markets, whether or not organised, whether Spanish or foreign, in respect of the securities to be issued, subject to all prevailing legal and regulatory requirements; and, in general, any other terms or conditions relating to the issuance. It shall also establish the body and form and regulation of the mechanisms of collective association and organisation and/or of representation and custody of the holders of the securities and, where appropriate, appoint their representatives if it proves necessary or it is decided they should exist.*

*The delegation of powers also includes authority for the Board of Directors to decide upon the terms of redemption of the securities issued by virtue of this*

*authorisation, including authority to apply the redemption methods provided for in the Capital Companies Law or any other applicable legislation. The Board of Directors is also granted the power to amend the terms for redemption of the securities issued and their respective time periods and, as the case may be, the remuneration payable on the securities included in each of the issuances made by virtue of this authorisation, when it deems this appropriate and subject to obtaining any pertinent authorisations and, where appropriate, the approval of the representative bodies of the holders of the securities.*

5. *The following rules and criteria will govern the conversion terms and methods:*
- i. *The securities issued by virtue of this resolution will be contingently convertible to new-issue shares in the Company, in accordance with a conversion ratio that is either fixed (determined or determinable) or variable (which may include upper and lower limits on the price of the conversion). The Board of Directors is likewise authorised to determine the terms of such convertibility, such as the manner, the time and the cases of conversion or its contingent nature.*
  - ii. *In the case of agreeing to issue the convertible securities with a fixed conversion ratio, and for purposes of the conversion, the securities shall be priced at their nominal value and the shares at the fixed exchange rate determined in the resolution issued by the Board of Directors by virtue of this delegation of powers, or at the exchange rate to be determined on the relevant date(s) around the time of the issuance stipulated in the resolution issued by the Board of Directors, and based on the quoted price of the Company's shares on the stock exchange on the date(s) or during the period(s) to be used as a reference point pursuant to that same resolution, with or without a discount or premium. The Board of Directors is likewise authorised to determine any further rules and criteria it deems fit for the conversion and/or exchange.*
  - iii. *It may also be agreed to issue the convertible securities with a variable conversion ratio. In this case, the price of the shares for purposes of the conversion will be as determined by the Board of Directors and may include a premium or, as the case may be, a discount with regard to the price per share resulting from the applicable rules and criteria. The premium or discount may be different for each date used as a reference point for the conversion for each issuance (or, where applicable, each tranche of an issuance). Additionally, a minimum and/or maximum reference price may be established for the shares for purposes of their conversion, under the terms deemed appropriate by the Board of Directors.*
  - iv. *On making the conversion, any fractions of shares to be delivered to the holder of the securities will be rounded down to the next whole number. The Board shall decide whether each holder should be paid the resulting difference in cash.*

*On approving any issuance of securities by virtue of the authorisation contained in this resolution, the Board of Directors shall issue a report implementing and*

*specifying conditions of the issuance that, where applicable, will be accompanied by the corresponding audit report from an auditor other than that of the Company, all pursuant to the Capital Companies Law.*

6. *Where it is possible to convert into shares the securities issued by virtue of this delegation of powers, their holders shall have all the rights vested in them by applicable law.*
7. *This delegation to the Board of Directors also includes the following powers, by way of example but without limitation:*
  - i. *The power for the Board of Directors to totally or partially disapply the pre-emptive subscription right of shareholders, when this is required in order to secure funding on domestic or international markets through market sounding or bookbuilding techniques or when the Company's interests warrant this. If the Board resolves to disapply the pre-emptive subscription right of shareholders in respect of a specific issuance carried out by virtue of these powers, it shall, upon approving the issuance and pursuant to the terms required in applicable legislation, issue a specific report that, where applicable, will also be scrutinised in a report to be issued by an independent expert as discussed in the Capital Companies Law. Said reports will be made available to shareholders subject to the terms provided for by law.*
  - ii. *The power to increase capital by the amount necessary to cover requests for conversion and/or to exercise the right to subscribe shares, subject to the limits that, in the event of being applicable, are in force and available at all times. In that regard, any capital increases that the Board of Directors approves under this authorisation in order to cover the conversion of convertible securities or instruments of a similar nature that fulfil the regulatory requirements to be eligible as Additional Tier 1 Capital instruments in accordance with the applicable solvency standard, for whose issuance the pre-emptive subscription right has been disapplied will not be subject to the maximum limit of 20% of share capital, as approved by shareholders at the Annual General Meeting held on 22 May 2020 as item 7 on the agenda, or any maximum limit approved in a future Annual General Meeting. This authorisation to raise increase includes authority to issue and place into circulation, on one or more occasions, the shares representing the capital increase that are required to carry out the conversion and/or exercise the share subscription right. It likewise includes authority to redraft the relevant articles of the By-laws governing share amount and shares and, as the case may be, to cancel the part of said capital increase that is not necessary for the conversion and/or exercise of the share subscription right.*
  - iii. *The power to draw up and set out the terms and methods of the conversion and/or exercise of the rights to subscribe shares by virtue of the securities to be issued, in accordance with the rules and criteria defined in point five above, and, in general and in the broadest terms,*

*the power to determine any aspects or other terms and conditions as may be necessary or appropriate for the issuance.*

- iv. *To request, when deemed appropriate, admission to trading (or, as the case may be, withdrawal from trading) on official or non-official secondary markets, whether or not organised, whether Spanish or foreign, in respect of the securities to be issued under this delegation of powers, with authority for the Board of Directors to act accordingly or as deemed desirable to ensure the admission to trading of the securities to be issued as before the competent bodies of domestic or foreign securities markets, subject to all existing and future law and regulations governing listing, particularly in relation to admission, permanence and exclusion from official trading.*

*The delegation of powers to the Board of Directors includes, with express powers to sub-delegate such powers to the Executive Committee of the Board of Directors or one or more members of the Board or senior management, the broadest powers required by law to interpret, apply, enforce and further specify the resolutions to issue securities. The Board is likewise granted powers to cure defects and expand upon the resolutions on all matters that prove necessary and to ensure compliance with any and all applicable legal requirements for implementing those resolutions, with authority to cure omissions or defects in those resolutions, upon the indications of any national or foreign authorities, public servants or bodies, and to carry any further resolutions and execute any public or private documents it considers necessary or desirable for the purpose of adapting the preceding resolutions to issue securities and the related capital increase to address any defects or issues raised verbally or in writing by the Companies Registrar or, in general, any other competent national or foreign authorities, public servants or institutions."*

It is hereby stated that the Board of Directors exercised the powers conferred in it by the Annual General Meeting previously mentioned in the issuance called "CaixaBank, S.A. €750,000,000 Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities" carried out on 14 September 2021; thus, in the event that the Issuance were fully subscribed for its maximum nominal amount, the amount of the delegation that would be available would be two thousand million euros (€2,000,000,000).

### 3. **CURRENT REASONS AND SITUATION THAT JUSTIFY THE ISSUANCE**

Without prejudice to the fact that, as set out below in sub-section "Regulatory environment", the Bank at present comfortably meets all its capital requirements and has sufficient issuances of specific instruments with which to efficiently meet its capital requirements, the Board of Directors considers it convenient to carry out a new issuance of securities as Preferred Securities which count as Additional Tier 1 Capital when market conditions so require, for the financial reasons listed below:

- (a) To strengthen capital adequacy of the Bank and the group of companies of which CaixaBank is the parent company (the "**Group**"), by optimising the capital structure based on the minimum requirements for each tranche of capital tier and its cost.

- (b) CaixaBank placed into circulation a perpetual issue carried out by Bankia, S.A. in September 2018 for a nominal amount of five hundred million euros (€500,000,000) (hereinafter, "**2018 Bankia Preferred Securities**"), which counts as Additional Tier 1 Capital and whose terms and conditions provide for the possibility of early redemption in favour of CaixaBank from the fifth year of its issue (i.e. from September 2023).

The Issuance will therefore enable CaixaBank to proactively and orderly manage the market expectations, as well as manage options for the early redemption of the issuances of preferred securities that it currently has in circulation (the suitability of which will be assessed at the time of deciding their execution), at all times guaranteeing the fulfilment of the capital adequacy requirements efficiently and, eventually, taking advantage of a favourable market situation, such as the current one, in order to carry out the placement of the Issuance and thus have instruments of the same regulatory category as the 2018 Bankia Preferred Securities that enable optimising the financial cost of the capital structure.

In any case, it is worth noting that, at the time when the exercise of the corresponding early redemption options is to be decided or not, it will assess, among other factors, the relevant circumstances at the time for the purpose of determining the appropriateness of proceeding with the advance redemption, and prior authorisations of the competent authorities required by the regulations in force must be obtained. In the event that it is finally decided to exercise an early redemption option, the appropriate notice shall be made to the holders of the instruments (by publishing a disclosure of inside information or other relevant information) after obtaining prior authorisation from the competent authority.

An issuance of Preferred Securities is the ideal instrument to simultaneously meet all goals identified below in sub-section "Regulatory environment". Furthermore, the Preferred Securities would count as Additional Tier 1 Capital and, therefore, would also meet the requirements as Minimum Required Eligible Liabilities ("**MREL**") and leverage ratio requirements.

Compared to the issuance of shares, the issuance of Preferred Securities is more appropriate for the following reasons:

- (a) It makes it possible to optimise the Group's cost of capital to secure Tier 1 capital by issuing an instrument with an implicit cost less than that associated with Common Equity Tier 1 capital (shares), estimated at about 10.96% according to the consensus of analysts following the CaixaBank share, which is also fiscally deductible.
- (b) The issuance of Preferred Securities does not imply, in a normal scenario, any dilution for shareholders, since they are set up as contingently convertible securities and not necessarily convertible securities. Thus, in an ordinary situation, they will not result in dilution (neither political nor economic) of the shareholders of the Bank, since they will not be converted into shares: they only become shares in exceptional situations linked to impairment of the Bank's solvency. In particular, the expected loss absorption mechanism that triggers the

conversion into shares would only be undertaken in very particular situations of deficit of funds where the Common Equity Tier 1 capital ratio falls below 5.125%.

Besides the fact that the cases of conversion are temporary and highly limited, even in the event of a forced conversion of Preferred Securities, the fixed conversion rate contains a Conversion Floor Price, which ensures that the shares would be issued at a price equal to or higher than the market price. This would limit the maximum number of shares to be delivered, thus reducing the potential maximum economic and political dilution that CaixaBank shareholders could suffer in the event of a conversion scenario.

As has been noted, issuances such as the Preferred Securities now being proposed can also be used to strengthen the leverage ratio. Pursuant to Article 92 of the CRR (in accordance with amendments in CRR II), since June 2021, compliance with certain leverage ratio requirements is mandatory, which must stand at a minimum of 3%. The leverage ratio is calculated as the Bank's Tier 1 capital (calculated as the sum of Common Equity Tier 1 capital and Additional Tier 1 capital) divided by its total exposure. Therefore, issuances of instruments such as these Preferred Securities will effectively help strengthen this ratio by raising the numerator.

Similarly, Preferred Securities also count for the purposes of MREL. Therefore, this Issuance will strengthen the Bank's MREL position for meeting the requirements of this nature (those currently in force are explained in the disclosure of inside information of 22 February 2022, which shall be adjusted according to the combined capital buffer requirement).

### 3.1 **Regulatory environment**

The regulatory framework in Spain, within the EU and on the international stage governing own funds and capital adequacy requirements for banks has seen some hugely significant changes in recent years.

In December 2010, the Basel Committee on Banking Supervision released the recommendations for the Basel III framework, which contained a set of reforms aimed at toughening international capital adequacy and liquidity rules for banks in a bid to create a more resilient banking sector. These recommendations were transposed into EU Law through Directive 2013/36/EU of the European Parliament and of the Council on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms ("**Directive 2013/36/EU**") and the aforementioned 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 (or CRR), which, together with Directive 2013/36/EU, is known as "**Basel III**".

Without prejudice to the direct applicability of the CRR, the Basel III framework has been implemented in Spain through Royal Decree-Law 14/2013 of 29 November, on urgent measures to bring the laws of Spain in line with EU regulations on the supervision and capital adequacy of financial institutions; Law 10/2014; Royal Decree 84/2015 of 13 February, implementing Law 10/2014 ("**RD 84/2015**"); and Bank of Spain Circular 2/2016. This law is further supplemented by various binding technical

standards, as well as recommendations and guidelines issued by various national and supranational bodies.

In November 2016, the European Commission presented a reform package amending the Basel III regulatory regime and Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014, establishing a framework for the recovery and resolution of credit institutions and investment firms ("**BRRD**"), which ended up being implemented on 7 June 2019 with the publication of, inter alia, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May, amending Directive 2013/36/EU ("**CRD V**"); Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019, amending Regulation (EU) 575/2013 ("**CRR II**"); and Directive 2019/879 of the Parliament and of the Council of 20 May, amending Directive 2014/59 ("**BRRD II**" and, together with CRD V and CRR II, the "**Reform Package**"). A major part of the changes introduced in the Reform Package are already implemented and, in particular, CRD V has been partially incorporated into Spanish law through Royal Decree-Law 7/2021, which has amended Law 10/2014, among others. Similarly, Royal Decree 970/2021 amended, among others, RD 84/2015. Lastly, with the approval of Bank of Spain Circular 3/2022, amending Circular 2/2016, CRD V is fully transposed into Spanish law. BRRD II has been incorporated into Spanish legislation through Royal Decree-Law 7/2021, which has amended, among others, Law 11/2015 of 18 June, on the recovery and resolution of credit institutions and investment firms ("**Law 11/2015**"); and Royal Decree 1041/2021, which has amended Royal Decree 1012/2015, implementing Law 11/2015.

Further, Regulation (EU) 2020/873 of the European Parliament and of the Council of 24 June (also known as CRR 2.5 or "quick fix") came into force on 28 June 2020, ushering in a series of amendments to the CRR.

Basel III, as amended by the Reform Package, envisions the need for banks, in order to be considered adequately capitalised, to possess certain proportions of equity instruments of different types and classes, depending on the composition and size of their balance sheets.

More precisely, Basel III (i) established, inter alia, a minimum capital requirement ("**Pillar 1**"), which can be met in certain proportions and not only with the bank's highest quality equity (Common Equity Tier 1 or "**CET1**"), which would be more burdensome and less efficient, but also with two additional categories of regulatory capital, namely *Additional Tier 1* and *Tier 2* capital; while (ii) at the same time raising the level of capital required through the "combined capital buffer requirement" to be met by Common Equity Tier 1 capital (in addition to the capital required to meet the Pillar 1, Pillar 2R and Pillar 2G requirements discussed below).

In addition to Pillar 1, and in light of the outcome of the supervisory review and evaluation process ("**SREP**"), each year the European Central Bank ("**ECB**") sets an institution-specific capital requirement (known as the "**Pillar 2 requirement**" or "**Pillar 2R**"), which at present, can be partially met with Additional Tier 1 and Tier 2 capital instruments, besides Common Equity Tier 1 capital; therefore, Preferred Securities can also contribute to the compliance with the Pillar 2 requirement. In addition, the ECB sets out what is known as **Pillar 2 guidance** or **Pillar 2G**, which provides a guide for all categories of capital non-compliance with which would entail tougher supervisory scrutiny.

As a result of the SREP update, as announced by the Bank by means of a disclosure of other relevant information on 15 December 2022, the ECB requires the Group to maintain a Common Equity Tier 1 capital ratio of 8.46% in 2023, to include: the minimum Pillar 1 requirement (4.5%); the Pillar 2 requirement (0.93%); the capital conservation buffer (2.5%); capital buffer required of Other Systemically Important Institutions (0.50%)<sup>2</sup> and the countercyclical buffer (0.03%) (in December 2022)<sup>3</sup>. With respect to the minimum requirements set for 2022, it involves an increase of 0.13%, due to the total establishment of the capital buffer required of Other Systemically Important Institutions.

Similarly, based on the Pillar 1 minimum requirements applicable to Tier 1 capital (6%) and Total Capital (8%), the requirements stand at 10.27% and 12.68%, respectively.

At 31 December 2022, CaixaBank's Common Equity Tier 1 (CET1) ratio was 12.8% in consolidated terms and 12.9% in separate terms, with a Tier 1 capital ratio of 14.8% and 15.0% at consolidated and separate levels, respectively, and a Total Capital ratio of 17.3% and 17.8% at consolidated and separate levels, respectively. These ratios are comfortably clear of the minimum capital requirements at present.

However, the Board of Directors believes that the regulator may in the future require additional capital buffers beyond those currently in effect and that the current Pillar 2 measures will be reviewed on an annual basis, in line with the conclusions that the ECB has been drawing from successive SREP exercises. It may therefore impose more stringent Pillar 2 requirements than those that currently apply. For this reason, the Board of Directors considers that CaixaBank and its Group need to have comfortable capital ratios above minimum regulatory levels.

As noted above, in addition to the capital requirements described in the preceding paragraphs, CaixaBank must also meet MREL requirements and comply with a leverage ratio, and Preferred Securities reinforce both capital adequacy metrics.

On 22 February 2022, the Bank of Spain formally notified the minimum requirements of own funds and eligible liabilities (MREL requirements) as determined by the Single Resolution Board ("**SRB**"), based on the information as of 31 March 2021, after the merger with Bankia. As set out in the notification, CaixaBank, on a consolidated basis, must comply by 1 January 2024 with a minimum amount of own funds and eligible liabilities ("**Total MREL requirement**") of 20.92% of RWAs, which would be equal to 23.95% when including the combined buffer requirement ("**CBR**") expected on that date.<sup>4</sup> (18.72% at the level of subordinated MREL). With regard to the interim requirement, the SRB has established that as of 1 January 2022, on a consolidated level, CaixaBank must reach a Total MREL requirement of 19.33% of RWAs, which would stand at 22.24% including the CBR (16.41% at the level of subordinated MREL). CaixaBank, at a consolidated level, must comply as of 1 January 2022 with a Total and Subordinated MREL Requirement of 6.09% of Leverage Ratio Exposure ("**LRE**") (6.19% as of January 2024).

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<sup>2</sup> Applies only on a consolidated level.

<sup>3</sup> Updated quarterly, it is possible to defer between the individual and the consolidated scope.

<sup>4</sup> At December 2022, the CBR stands at 2.91% (3.03% estimated at December 2023).

At 31 December 2022, at a consolidated level, CaixaBank has reached an MREL ratio of 25.9% of RWAs and 9.9% in terms of LRE.

At the subordinated level, including only senior non-preferred debt, the MREL ratio of subordinated instruments reached 22.5% of RWAs and 8.6% in terms of LRE.

The leverage ratio reached 5.6% of the regulatory exposure at 31 December 2022, with the regulatory requirement being 3%, as per the provisions in Article 92 of the CRR (in accordance with amendments in CRR II).

With the same criteria and precautions as with regard to capital requirements, the Board of Directors considers that it is necessary for CaixaBank and its Group to have an MREL position and a leverage ratio above the minimum regulatory levels.

### 3.2 **Market situation**

With this Issuance, the Bank aims to take advantage of the current favourable situation within the financial markets when it comes to issuing this type of instrument, as corroborated by the success of Additional Tier 1 Capital issues by other peer banks this year when compared to those of the Bank over the past months. The decision is also based on the interest and demand the Bank has noticed for the securities among certain investors classified as professional clients and eligible counterparties.

Given the favourable market situation and the Bank's policy of displaying the utmost prudence and foresight when it comes to capital planning, the Board of Directors deems it appropriate to effect the Issuance of the Preferred Securities. This way, there would be instruments of the same regulatory category as the 2018 Bankia Preferred Securities and the suitability of exercising an early redemption option of the issuance of 2018 Bankia Preferred Securities, whose first choice of redemption in favour of CaixaBank will take place on 19 September 2023, could be assessed.

### 3.3 **Conclusion**

In conclusion, despite the fact that CaixaBank and its Group comfortably comply with the own funds requirements currently in force, the current financial conditions are appropriate for carrying out an issue of Preferred Securities, which will result in: (i) strengthening capital adequacy by optimising the capital structure of the Group and its cost; (ii) proactively and orderly managing the market expectations, as well as managing options for the early redemption of the issuances of preferred securities that it currently has in circulation, at all times guaranteeing the fulfilment of the capital adequacy requirements efficiently; (iii) strengthening the MREL structure to cope with future regulatory requirements of this nature and thereby reducing the risk of possible restrictions on discretionary pay-outs (dividends, variable remuneration, or distributions of instruments eligible as Additional Tier 1 Capital) in connection with MREL deficits (M-MDA), as provided for in the BRRD; and (iv) strengthening the leverage ratio, calculated as the Bank's Tier 1 capital divided by its total exposure. Similarly, as in other issuances of preferred securities carried out by the Bank in the past, the ideal way to take advantage of the existing "market window" is through an accelerated bookbuild process that allows for shorter placement times, thus cutting exposure to market volatility. Thus, more advantageous market conditions can be achieved with less uncertainty as to the outcome and risk of the transaction than the

conditions that would be expected to be obtained in the event of the Issuance being carried out with shareholders recognising the pre-emptive subscription right. Lastly, it is worth noting that while the Preferred Securities that the Bank intends to issue are essentially a perpetual fixed income security, Additional Provision One of Spanish Law 10/2014 and Basel III both insist that the terms and conditions of these securities include—in order for them to count—a mechanism for absorbing losses if and when certain exceptional events envisioned in those regulations materialise. In the case of the Preferred Securities, this loss-absorbing mechanism consists of their conversion into newly issued common shares of the Bank in the event that CaixaBank or its Group presents a Common Equity Tier 1 ratio of below 5.125%, as explained in the section on Conversion Terms and Methods below. This loss absorption mechanism, through the eventual conversion of the securities into shares in accordance with the requirements of the legislation mentioned above, is designed to trigger only in very specific situations of own funds deficits, so that the issuers concerned can enhance their Common Equity Tier 1 levels through such a conversion process in response to severe scenarios involving significant accounting losses or where the relevant ratios decline sharply.

Therefore, the Preferred Securities that the Bank plans to issue will be perpetual fixed-income securities with the capacity to absorb losses through their conversion into shares in the event of a deterioration in the capital adequacy of the Bank or its Group. Were this to take place, the process would immediately strengthen the regulatory capital of CaixaBank and its Group, given that the shares issued when converting the Preferred Securities would count as Common Equity Tier 1 capital under Basel III (as modified by the Reform Package).

#### 4. FINANCIAL TERMS OF THE ISSUANCE

The financial terms of the Issuance are as set out in the Board of Directors resolution adopted in accordance with the proposal transcribed in section 9 of this report.

#### 5. CONVERSION TERMS AND METHODS

5.1.1 **Convertible nature of the Preferred Securities:** The Preferred Securities will be automatically converted into new-issue common shares of CaixaBank in response to the conversion event described below.

5.1.2 **Conversion Event:** The Preferred Securities will be compulsorily converted into newly-issued common shares of CaixaBank if the Common Equity Tier 1 ratio of CaixaBank or its Group falls below 5.125% at any time.

5.1.3 **Conversion Ratio:** The conversion ratio will be the quotient between the nominal amount of the Preferred Securities and the Conversion Price (as defined below).

The Conversion Price for CaixaBank shares that are listed at the time of conversion shall be the highest of the following:

- a) the market value of the CaixaBank share at the time the Preferred Securities are converted, calculated as the average of the weighted average price by volume of the CaixaBank share over the five trading

days prior to the day on which it is announced that the corresponding conversion event has occurred (the "**Reference Price**");

- b) the "Conversion Floor Price" (Floor Price, as defined in the Terms and Conditions of the Issuance), which will be equivalent to two thirds of the closing price of the CaixaBank share on the day immediately preceding the date on which the final terms and conditions of the Issuance are set (pricing) and will be determined by persons expressly authorised for that purpose in the issuance agreement. Under no circumstances may the Conversion Floor Price be less than two euros fourteen cents (€2.14) per share. The Conversion Floor Price will be changed, if required, when applying the anti-dilution adjustments provided for in sub-section 5.1.5 below; and
- c) the nominal value of the CaixaBank shares at the time of conversion, thus ensuring compliance at all times with Article 415 of the LSC.

In the event that CaixaBank shares are not listed, the Conversion Price will be the higher amount of those provided for in paragraphs b) and c) above.

- 5.1.4 **Conversion Procedure:** If a conversion event occurs, the Bank shall: (a) promptly notify the competent regulatory body and the holders of the Preferred Securities by making the relevant announcements at CNMV, AIAF Fixed Income Market and the Management Company Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A. Unipersonal (Iberclear); (b) abstain from paying further remuneration on the Preferred Securities, including any accrued and unpaid remuneration; and (c) act accordingly to complete the conversion of all the Preferred Securities into shares in accordance with the Terms and Conditions of the Issuance.
- 5.1.5 **"Anti-dilution" mechanisms:** The Conversion Floor Price will be adjusted in order to protect the holders of the Preferred Securities against any possible dilution they may suffer in respect of the Bank's shareholders were certain events to take place in relation to CaixaBank's share capital.

The Terms and Conditions of the Issuance explain these "anti-dilution" mechanisms, which are standard practice for this type of operation and cover the following events: (a) any consolidation, reclassification, redenomination, splitting or division that affects the number of common shares of the Bank; (b) capital increases charged to profits or reserves, except where the delivery of the shares is linked to the payment of dividends of the Bank; (c) payments of extra (that, where applicable, exceed any established limits) or in-kind dividends; (d) capital increases with pre-emptive subscription rights and issuances of any other securities that include the right to subscribe for or acquire shares in the Bank by granting the Bank's shareholders a pre-emptive subscription right, if the subscription or acquisition price per share is less than 95% of the corresponding market price; (e) issuances of any securities other than those referred to in point (d) above, or of securities that include the right to subscribe them, where the Bank's shareholders are granted a pre-emptive subscription right; (f) capital increases through cash or non-cash contributions and the issue of options, warrants or any other rights to subscribe for or acquire shares in the Bank

through cash or non-cash contributions, where the subscription or acquisition price per share is less than 95% of the corresponding market price; (g) issuances of any securities that grant the right to subscribe for or acquire shares through cash contributions or without payment, where the subscription or acquisition price is less than 95% of the corresponding market price; (h) where the terms of the subscription or acquisition rights of the Bank's shares contained in any issuance of securities are modified and where, as a result of such modification, the subscription or acquisition price per share is less than 95% of the corresponding market price; and (i) offerings of any securities in which shareholders are recognised as having an acquisition right and which are not caught by any of the above events.

## 6. INCREASE OF CAPITAL

Pursuant to the 2021 Delegation Agreement and under the agreement to delegate powers in the Board of Directors to increase the share capital approved by the Annual General Meeting held on 22 May 2020 under item seven on the agenda (the "**2020 Delegation Agreement**"), and in accordance with Article 414 of the LSC, the share capital must be increased by the amount necessary to cover the eventual conversion of the Preferred Securities to be issued. For this purpose, it is agreed that share capital will be increased by an amount equivalent to the quotient between the total nominal value of the Preferred Securities and the Conversion Price.

Given that the maximum nominal amount of the Issuance amounts to seven hundred and fifty million euros (€750,000,000), assuming a Conversion Floor Price of two euros and fourteen cents (€2.14) per share, the maximum number of shares to be issued, if any, would be three hundred and fifty million four hundred and sixty-seven thousand two hundred and eighty-nine (350,467,289) common shares (the "**Maximum Number of Shares**"), assuming that no anti-dilution adjustment is made. It is expressly envisaged that the capital increase may be carried out with a higher share premium or for a smaller number of shares and with incomplete subscription also permitted.

The capital increase will be carried out totally or partially by the Board of Directors or by persons expressly authorised for that purpose and under the conditions set out in section 6 of the Board of Director's resolution adopted in accordance with the motion transcribed in section 9 of this report, when a capital increase becomes necessary in order to cover the eventual conversion of the Preferred Securities. The capital increase will be effected through the issuance of new common shares with the same nominal value and the same rights as the common shares that remain outstanding on the date the corresponding resolution to raise capital is adopted. If the Board of Directors, or the persons expressly authorised for this purpose and under the conditions set out in section 6 of the Board of Director's resolution adopted in accordance with the motion transcribed in section 9 of this report, proceeds to execute this resolution, then the Board, or the persons concerned, shall redraft the relevant article of the By-laws relating to share capital.

In accordance with Article 304.2 of the LSC, the pre-emptive subscription right of shareholders will not apply to capital increases that result from the conversion of the Preferred Securities.

## 7. **JUSTIFICATION FOR DISAPPLYING THE PRE-EMPTIVE SUBSCRIPTION RIGHT**

The Annual General Meeting, in the 2021 Delegation Agreement, vested in the Board of Directors the power to disapply the pre-emptive subscription right in relation to any issuances of contingently convertible securities effected under such delegation of powers.

To this end, and coinciding with the announcement of the aforementioned Annual General Meeting, the Board of Directors of CaixaBank approved and made available to shareholders a report justifying that proposed delegation of the power to disapply the pre-emptive subscription right.

Furthermore, Article 511 of the LSC insists that it must be in the company's interests to disapply the pre-emptive right in relation to convertible bond issuances.

The Board of Directors of CaixaBank, in exercise of this power, has decided to disapply the pre-emptive subscription right in relation to the Issuance, as it considers that this exclusion is fully justified and in accordance with applicable legal requirements, while also being necessary and in the company's interests, all as explained below.

The stricter own funds requirements stemming from the current economic and regulatory climate within the financial industry have rendered it advisable to maintain the current policy of maximum prudence and foresight in relation to capital planning at the Bank and its Group, which requires the Bank to have flexible and suitable instruments for responding adequately to prevailing capital requirements in the Bank's best interests.

In this context, and as indicated above, despite the fact that CaixaBank and its Group comfortably comply with the own funds requirements currently in force and have sufficient issuances of specific instruments with which to efficiently meet their capital requirements, the Board of Directors has deemed it desirable to further strengthen the own funds of both the Bank and its Group by issuing the Preferred Securities (which will be eligible as Additional Tier 1 Capital under Basel III, as amended by the Reform Package) for investors classified as professional clients and eligible counterparties. This necessarily entails the disapplication of the pre-emptive subscription right of the Bank's shareholders given the convertibility element provided for in the Terms and Conditions of the Issuance.

The Company's Board of Directors believes that the structure of the proposed Issuance, which will entail disapplying the pre-emptive subscription right, is fully compliant with the substantive requirements set out in the LSC and, in particular, the need for the disapplication of the right to be in the Bank's interests. This is effectively the case, because it will make it possible to carry out an operation that is not only desirable but also necessary to achieve the desired result (in other words, strengthen the own funds of the Bank and of all the companies that make up the Group) and also because, having taken into account the possible dilution of shareholders, it strikes a suitable balance between the objective being pursued and the means employed.

To provide a more detailed explanation of the desirability of the proposed structure, the following benefits should be noted:

- (i) *Intended for investors who qualify as professional clients and eligible counterparties in order to bring about the proposed improvement in the equity structure and as a legal requirement following the entry into force of MiFID II (as set out below)*

The issuance of the Preferred Securities will effectively improve the Bank's capital structure. However, in order to be eligible as Additional Tier 1 Capital, the Preferred Securities must provide for discretionary and non-cumulative remuneration and must also be contingently convertible into common shares of CaixaBank in response to the conversion event explained earlier in this report, such conversion being an essential feature for their classification as Additional Tier 1 Capital.

The Preferred Securities qualify as complex instruments and this, coupled with the recent regulatory changes, means that they are not a suitable product for placement among retail investors, based partially on the following main characteristics of the product:

- Perpetuity: The Preferred Securities are perpetual instruments with no fixed final redemption or maturity date (although certain early redemption mechanisms do exist exercisable by the Issuer only).
- Discretionary payment of remuneration: payment of remuneration is discretionary over the entire life of the issuance. The Issuer may choose to cancel any or all of such payments at any time and for any reason and moreover is obligated to do so in the circumstances prescribed by applicable law and regulations. Furthermore, the remuneration is not cumulative, meaning that if any payment of remuneration (or part thereof) is not made at the Issuer's discretion or because of the applicable restrictions mentioned earlier, the right of the holders of the Preferred Securities to receive the unpaid remuneration will be extinguished.
- Convertibility into shares: the Preferred Securities will be automatically and compulsorily converted into newly issued shares in the event that the Common Equity Tier 1 ratio of CaixaBank or its Group falls below a certain threshold at any time. This conversion might also take place at a price higher than the market price at the time of conversion, meaning that the holders of the Preferred Securities may have to bear not only the conversion but also any further losses arising from that process.

Following the entry into force of Directive 2014/65/EU of the European Parliament and of the Council of 15 May and its implementing regulations (the "**MiFID II Regulation**"), when preparing to issue financial instruments, customer groups whose needs, characteristics and objectives are not compatible with the financial instrument must be identified prior to the issue and moreover the issue cannot be offered to those customers. Accordingly, and given that a significant portion of CaixaBank's shareholding structure is held by retail customers, failing to disapply the pre-emptive subscription right would effectively result in the Bank having to offer a significant portion of its shareholders a product that in practice is not suitable in view of their investment

profile (needs, characteristics and objectives), which would breach the legal requirements imposed by the MiFID II Regulations.

Furthermore, there are other rules that tend to discourage product placement such as Preferred Securities among retail investors: for example, the Fourth Additional Provision of the Restated Text of the Securities Market Law, approved by Royal Legislative Decree 4/2015, of 23 October, imposes relevant requirements for the placement of such instruments on retail investors. The First Additional Provision of Law 10/2014 also provides for a restriction on the placement of such instruments for retail investors in order to qualify for the tax regime envisaged, and Circular 1/2018, of 12 March, of Spain's National Securities Market Commission, on warnings related to financial instruments, which considers these types of instruments to be particularly complex and not generally suitable for retail customers. This tendency to advise against the placement of products such as Preferred Securities among retail investors can also be found in the Joint Declaration of the European Banking Authority and the European Securities and Markets Authority of 30 May 2018.

Conversely, there has been growing demand for instruments such as the Preferred Securities among investors classified as professional clients and eligible counterparties. These investors possess considerable expertise and knowledge about this type of instrument and regularly subscribe this type of product. They are therefore the segment typically targeted by these issuances. All of these considerations make the Preferred Securities a suitable product for this type of investor, and it is therefore advisable to target the Issuance exclusively at investors classified as professional clients and eligible counterparties, while expressly excluding retail investors.

Further, directing the Issuance exclusively at investors classified as professional clients and eligible counterparties will enable the Issuance to be carried out under more favourable conditions, with the effective, operational, temporary and capital costs that this entails.

Therefore, disapplying the pre-emptive right so as to target the Issuance exclusively at investors classified as professional clients and eligible counterparties and prohibiting their placement among retail investors, will allow the Bank not only to comply with prevailing legal requirements, but also to attract a significant volume of funds from a limited number of investors active in the international financial markets, thus harnessing the enormous revenue-generating capacity offered by such markets.

(ii) *Execution speed. Less exposure to market volatility*

Similarly, disapplying the pre-emptive right will enable the Bank to accomplish the objective of the Issuance, which is to raise capital by taking advantage of prevailing financing conditions within the market and the existing demand among specific investors for products such as the Preferred Securities, by allowing their placement through an accelerated bookbuild process.

The accelerated bookbuild process enables issuers to take full advantage of what are known as "market windows" (opportunities conducive to carrying out

financial transactions at a specific time), thus providing potentially more favourable financial conditions at lower costs and, in general, increasing the likelihood of success of the transaction. An accelerated bookbuild can also have the effect of reducing uncertainty and exposure to market volatility, while cushioning the potential impact of the Issuance on the share price.

The combination of the factors described throughout this report (strengthening CaixaBank's own funds, preparing for maturities, and for the case in which, once the time comes, it is decided to exercise options of early redemption of the issuances of capital instruments and eligible liabilities that CaixaBank currently has in circulation, market conditions at any given time, and targets of the Issuance and speed of execution) means that the proposed structure is the Bank's best and most attractive option when it comes to issuing the Preferred Securities, targeting them solely at investors who qualify as professional clients and eligible counterparties and consequently disapplying the pre-emptive subscription rights of existing shareholders.

In addition, the Bank's Board of Directors believes that, for the reasons set out below, the decision to disapply the pre-emptive right complies ensures the balance that should always exist between the benefits obtained for the Bank and any inconvenience that could be caused to shareholders:

- (a) The theoretical value of the pre-emptive subscription right in relation to the Issuance is equivalent to zero. In accordance with the proposed conversion terms and methods, existing shareholders will not lose any economic value by disapplying the pre-emptive subscription right, since the proposed mechanism for setting the conversion price is such that the shares needed to meet the conversion of the Preferred Securities will be issued at their market value (by linking them to the Bank's share price) or at a higher value (if the Conversion Floor Price applies).
- (b) The Preferred Securities are structured as contingently convertible securities, i.e. securities that will be converted solely and exclusively in the event of certain specific and exceptional circumstances entailing a severe deterioration in the capital adequacy of the Bank and its Group (and not as securities that will necessarily be converted once a certain period of time has elapsed or convertible at the request of investors). Therefore, the most likely scenario is that the conversion will not take place, in which case the Issuance would not generate any dilution (of either the voting or financial rights) of the Bank's shareholders<sup>5</sup>.
- (c) The proposed conversion ratio for the Preferred Securities in response to a conversion event is designed to meet the corporate interest, because they are convertible at a price pegged to the quoted price or market price of the share at the time of conversion (unless the Conversion Floor Price indicated above is not reached), thus maximising the funds that the Bank will be able to raise and enabling the entire amount to be allocated as efficiently as possible to

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<sup>5</sup> The fact that the Preferred Securities are contingently convertible enables us to assume that the goal of the investor investing in these types of instruments is not to become a shareholder of the Issuer, but rather of a fixed income investor who expects to receive a coupon (although discretionary, predetermined, and limited) and accepts a level of subordination and additional risk in exchange for the expectation of higher remuneration (unlike an equity investment, where dividends are not limited to a percentage of the initial investment).

strengthening its own funds and accomplishing its corporate interest, this being main objective of the Issuance.

Setting a Conversion Floor Price (which will be determined according to the parameters indicated above by the persons expressly authorised for that purpose in accordance with section 6 of the Board of Directors resolution adopted pursuant to the proposal transcribed under section 9 of this report) effectively limits the maximum number of shares to be delivered, on the further understanding that this Conversion Floor Price would result in the shares being delivered at a premium above their market price.

Therefore, given (i) the specific characteristics of the Preferred Securities; (ii) the fact that the conversion events are very limited and specific in scope; and (iii) that since the conversion price would be the market price or, as the case may be, with a premium over the market price, the theoretical value of the pre-emptive subscription right under the Issuance is zero, it can safely be said that the existing shareholders do not stand to lose any economic value following the decision to disapply the pre-emptive subscription right.

8. **JUSTIFICATION OF THE REASONABLENESS OF THE FINANCIAL CONDITIONS OF THE ISSUE AND THE SUITABILITY OF THE CONVERSION RATIO AND ITS ADJUSTMENT FORMULAS TO AVOID THE DILUTION OF THE ECONOMIC INTEREST OF THE SHAREHOLDERS**

For the purposes of Article 510 of the LSC, the Board of Directors declares that, as stated throughout this Report:

- (i) As set forth in sub-section "*Execution speed. Less exposure to market volatility*" of section 7 above, the means established for the setting of the financial conditions of the issuance (i.e. an accelerated bookbuild process to be conducted by the financial institutions appointed to this effect, including qualified investors and eligible counterparties) is a mechanism that enables the most efficient financial conditions to be obtained and will allow them (and in particular, the Conversion Floor Price and the remuneration of Preferred Securities) to be reasonable, as they will be determined based on the market response and the quoted price of the Bank's share at that time.
- (ii) The conversion ratio and the adjustment formulas are considered suitable to avoid the dilution of the economic interest of the shareholders. This is mainly due to the variable nature of the conversion ratio. As described in section 7 above, the Conversion Price will be set according to the market price of the Bank's shares at the time of conversion of the Preferred Securities. This will mean that the current shareholders do not experience any dilution with the disapplication of the pre-emptive subscription right (as explained above) and that the conversion price is in no case lower than the fair value of the CaixaBank share, as it legally corresponds to its market value, which is indexed to the share price (Art. 504.3 of the LSC); furthermore, a Conversion Floor Price shall be provided, which shall be also indexed to the market price of the Bank's shares (in this case, two thirds of the closing price of the CaixaBank share on the day before the date of setting the final terms and conditions of the Issuance (pricing),

which also has a minimum value) and which limits any potential dilution experienced by shareholders. It is considered that the adjustment formulas for the conversion ratio set forth in the Terms and Conditions of the Issuance, which are required to protect the conversion right of the Preferred Securities' holders, have been established as per the usual market practice for this type of operation.

## 9. FULL TEXT OF THE MOTION

### “ISSUANCE OF PREFERRED SECURITIES CONTINGENTLY CONVERTIBLE INTO SHARES OF CAIXABANK, S.A.

#### 1. ISSUANCE

*The Board of Directors of CaixaBank, S.A. ("CaixaBank" or the "Bank"), in exercise of the powers vested in it by shareholders at the Annual General Meeting held on 14 May 2021 under item 11 on the agenda, hereby resolves to carry out an issue of preferred securities contingently convertible into newly-issued common shares of the Bank (hereinafter, the "Preferred Securities"), in accordance with Additional Provision One of Spanish Law 10/2014 of 26 June, on the organisation, supervision and capital adequacy of credit institutions ("Law 10/2014") and 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 ("CRR"), for a maximum nominal amount of seven hundred and fifty million euros (€750,000,000) (with incomplete subscription permitted) and with the pre-emptive subscription right disapplied, to take effect once all preliminary formalities with the Bank of Spain, the European Central Bank, the Spanish National Securities Market Commission ("CNMV") and any other competent bodies have been completed (the "Issuance").*

*The Board of Directors also approves the terms and conditions of the Issuance, which are described below and attached as **Appendix I** to this resolution in both English and Spanish (the English version prevailing in the event of any contradiction) (the "**Terms and Conditions**"). This is without prejudice to the fact that certain Terms and Conditions of the Issuance will be specified by the Bank in accordance with section 6 below, once the book building process has been completed, which the underwriters of the Issuance shall carry out exclusively among professional clients and eligible counterparties (the "**Book Building Process**" and the "**Placement Entities**", respectively).*

1.1 **Issuer:** CaixaBank, S.A., with registered office at calle Painter Sorolla, 2-4, 46002 Valencia, and bearing tax number A-08663619.

1.2 **Nature of the securities:** The securities to be issued are Preferred Securities eligible as Additional Tier 1 Capital in accordance with Additional Provision One of Spanish Law 10/2014 and the CRR.

*For the Preferred Securities to eligible as Additional Tier 1 Capital of the Bank and its Group, they will be perpetual bonds contingently convertible into newly issued common shares of CaixaBank under the terms set out in section 2 below, as a loss-absorbing mechanism required by the aforementioned legal provisions.*

1.3 **Nominal amount of the Issuance:** The Preferred Securities shall be issued at a maximum nominal value of seven hundred and fifty million euros (€750,000,000).

*Incomplete subscription of the Issue is expressly permitted. The final nominal amount of the Issuance will be established through the Book Building Process, by the persons expressly authorised for such purpose and under the conditions set out in Section 6 below.*

- 1.4 **Issuance Currency:** *Euros.*
- 1.5 **Nominal amount of each Preferred Security and Issue Price:** *Two hundred thousand euros (€200,000). The Preferred Securities will be issued at par.*
- 1.6 **Number of Preferred Securities:** *A maximum of three thousand seven hundred and fifty Preferred Securities will be issued (unless incomplete subscription exists as foreseen above). The exact number will be determined on the basis of the final nominal amount of the Issuance, as established through the Book Building Process.*
- 1.7 **Yield:** *The Preferred Securities will yield a fixed annual return (which will be reviewed regularly as indicated below) payable quarterly in arrears.*

*The Preferred Securities will pay a maximum return of 10% over the period running from date of issue through to the First Remuneration Review Date (as defined below).*

*The "First Remuneration Review Date" may fall on any date between the fifth and tenth and-a-half anniversary of the Issuance. The First Remuneration Review Date need not coincide with an anniversary date of the Issuance. Both the remuneration and the First Remuneration Review Date will be established by persons expressly authorised for such purpose under the terms of section 6 below.*

*During each of the five-year periods following the First Remuneration Review Date, the return accruing on the Preferred Securities will be the result of adding a margin (the "Initial Margin") to a rate set for each five-year period in accordance with a reference index for financial derivatives at five years (5-year Mid-Swap Rate), as specified in the Terms and Conditions. The Initial Margin shall be a maximum of 7%, with the exact amount to be determined by persons expressly authorised for that purpose in accordance with section 6 below following completion of the Book Building Process.*

*The Bank may only pay the corresponding remuneration if: (i) profits and reserves are available for that purpose in accordance with applicable banking regulations; (ii) the regulator has not required the cancellation of all or any part of the remuneration; (iii) its payment does not entail breach of any regulatory restriction or prohibition applicable to remuneration payable on Additional Tier 1 Capital instruments; and (iv) there has been no conversion of the Preferred Securities.*

*In any case, payment of the remuneration is discretionary over the entire life of the Issuance and non-cumulative, whereby the Bank may choose to cancel all or any part of such payments at any time and for any reason.*

*The remuneration will not be cumulative, meaning that if any payment of remuneration (or part thereof) is not made at the Bank's discretion or because of the applicable restrictions mentioned earlier, the right of the holders of the Preferred Securities to receive the unpaid remuneration will be extinguished.*

*Cancellation of payment of the remuneration, no matter the reason, will not constitute breach of contract or a valid ground for the early termination of the Issuance.*

- 1.8 ***Form of representation:*** *The Preferred Securities will be represented in book-entry form and registered with Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A., Unipersonal ("Iberclear"), or any other registration entity authorised by the CNMV.*
- 1.9 ***Subscription request period:*** *Subscription requests shall be made through the Book Building Process, which shall take place at the time determined by the persons expressly authorised for that purpose in accordance with the provisions of section 6 below.*
- 1.10 ***Maturity date and early redemption:*** *The Preferred Securities are perpetual and therefore have no maturity date.*

*Without prejudice to the foregoing, the Preferred Securities may be subject to early redemption at the Bank's discretion, whereupon the nominal value of the securities will be returned plus any accrued and unpaid remuneration, as follows:*

- 1.10.1 *on or after the First Remuneration Review Date, on any subsequent remuneration payment date, and, if so determined by the persons expressly empowered to do so in accordance with the provisions of section 6 below, at any time during the six months prior to the First Remuneration Review Date (said date inclusive), although in the latter case, the First Remuneration Review Date must be set no earlier than the date on which five years and six months have elapsed since the issue date (said date inclusive);*
- 1.10.2 *from the date of issue of the Preferred Securities, if (i) the Preferred Securities no longer qualify, whether fully or partially, as Additional Tier 1 Capital of CaixaBank or its Group (Capital Event, as defined in the Terms and Conditions document attached as Appendix I); (ii) following any change in applicable tax law, or in the application of existing law, the remuneration payments to be made under the Preferred Securities are no longer tax deductible or where the Bank becomes obligated to gross up said payments to the holders of the Preferred Securities due to the need to make tax withholdings or deductions (Tax Event, as defined in the Terms and Conditions document attached as Appendix I); or (iii) if 75% or more of the initial nominal amount of the Issuance had been bought back by the Issuer.*

*To be able to effect the early redemption of the Preferred Securities in any of the above situations, the Bank must invariably comply with prevailing banking regulations and requirements, including, as the case may be, the need to obtain the prior consent of the competent regulatory body.*

- 1.11 ***Substitution and variation:*** *If (i) the Preferred Securities no longer qualify, whether fully or partially, as Additional Tier 1 Capital of CaixaBank or its Group (Capital Event, as defined in the Terms and Conditions document attached as Appendix I); or (ii) following any change in applicable tax law, or in the application of existing law, the remuneration payments to be made under the Preferred Securities are no longer tax deductible or where the Bank becomes obligated to gross up said payments to the*

holders of the Preferred Securities due to the need to make tax withholdings or deductions (Tax Event, as defined in the Terms and Conditions document attached as Appendix I), the Bank may choose to exchange the Preferred Securities or amend the terms and conditions thereof in accordance with the Terms and Conditions document attached as Appendix I.

To be able to proceed with either of the two options described above, the Bank must invariably comply with prevailing banking regulations and requirements, including, as the case may be, the need to obtain the prior consent of the competent regulatory body.

- 1.12 **Ranking:** The Preferred Securities shall constitute contractually subordinated credits of the Bank in accordance with Article 281.1.2 of Royal Legislative Decree 1/2020 of 5 May, enacting the restated text of the Insolvency Law (Ley Concursal). While they remain Additional Tier 1 Capital instruments in accordance with Additional Provision 14 of Law 11/2015 of 18 June, on the recovery and resolution of credit institutions and investment firms, they will have the ranking envisioned therein.
- 1.13 **Disapplication of the pre-emptive subscription right:** As explained below, the pre-emptive subscription right of CaixaBank shareholders has been disapplied for the purposes of this Issuance.
- 1.14 **Financial Institution responsible for the Financial Service of the Issuance:** The Bank itself.
- 1.15 **Target of the Issuance:** In accordance with Directive 2014/65/EU of the European Parliament and the Council and its implementing regulations (MiFID II regulations), the Issuance will be targeted at professional clients and eligible counterparties, expressly excluding retail clients.
- 1.16 **Secondary market:** It is agreed to request admission to trading of the Preferred Securities on the AIAF fixed income market.

## 2. **CONVERTIBILITY OF THE PREFERRED SECURITIES. CONVERSION TERMS AND METHODS**

- 2.1 **Convertible nature of the Preferred Securities:** The Preferred Securities will be automatically converted into new-issue common shares of CaixaBank in response to the conversion event described below.
- 2.2 **Conversion Event:** The Preferred Securities will be compulsorily converted into newly-issued common shares of CaixaBank if the Common Equity Tier 1 ratio of CaixaBank or its Group falls below 5.125% at any time.
- 2.3 **Conversion Ratio:** The conversion ratio will be the quotient between the nominal amount of the Preferred Securities and the Conversion Price (as defined below).

The Conversion Price for CaixaBank shares that are listed at the time of conversion shall be the highest of the following:

- 2.3.1 the market value of the CaixaBank share at the time the Preferred Securities are converted, calculated as the average of the weighted average price by volume of the CaixaBank share over the five trading days prior to the day on

which it is announced that the corresponding conversion event has occurred (the "**Reference Price**");

- 2.3.2 *the **Conversion Floor Price**, which will be equivalent to two thirds of the closing price of the CaixaBank share on the day immediately preceding the date on which the final terms and conditions of the Issuance are set (pricing) and will be determined by persons expressly authorised for that purpose in accordance with section 6 of this resolution. Under no circumstances may the Conversion Floor Price be less than two euros fourteen cents (€2.14) per share. The Conversion Floor Price will be changed, if required, when applying the anti-dilution adjustments provided for in sub-section 2.5 below; or*
- 2.3.3 *the nominal value of the CaixaBank shares at time of conversion, thus ensuring compliance at all times with Article 415 of the Restated Text of the Capital Companies Law, as enacted by Royal Legislative Decree 1/2010 of 2 July (the "LSC").*

*In the event that CaixaBank shares are not listed, the Conversion Price will be the higher amount of those provided for in paragraphs 2.3.2 and 2.3.3.*

- 2.4 **Conversion Procedure:** *If a conversion event occurs, the Bank shall: (a) promptly notify the competent regulatory body and the holders of the Preferred Securities by making the relevant announcements at CNMV, AIAF and Iberclear; (b) abstain from paying further remuneration on the Preferred Securities, including any accrued and unpaid remuneration; and (c) act accordingly to complete the conversion of all the Preferred Securities into shares in accordance with the Terms and Conditions.*
- 2.5 **"Anti-dilution" mechanisms:** *The Conversion Floor Price will be adjusted in order to protect the holders of the Preferred Securities against any possible dilution they may suffer in respect of the Bank's shareholders were certain events to take place in relation to CaixaBank's share capital.*

*The Terms and Conditions attached hereto as Appendix I explain these "anti-dilution" mechanisms, which are standard practice for this type of operation and cover the following events: (a) any consolidation, reclassification, redenomination, splitting or division that affects the number of common shares of the Bank; (b) capital increases charged to profits or reserves, except where the delivery of the shares is linked to the payment of dividends of the Bank; (c) payments of extra (that, where applicable, exceed any established limits) or in-kind dividends; (d) capital increases with pre-emptive subscription rights and issuances of any other securities that include the right to subscribe for or acquire shares in the Bank by granting the Bank's shareholders a pre-emptive subscription right, if the subscription or acquisition price per share is less than 95% of the corresponding market price; (e) issuances of any securities other than those referred to in point (d) above, or of securities that include the right to subscribe them, where the Bank's shareholders are granted a pre-emptive subscription right; (f) capital increases through cash or non-cash contributions and the issue of options, warrants or any other rights to subscribe for or acquire shares in the Bank through cash or non-cash contributions, where the subscription or acquisition price per share is less than 95% of the corresponding market price; (g) issuances of any securities that grant the right to subscribe for or acquire shares through cash contributions or without payment, where the subscription or acquisition price is less than 95% of the corresponding*

market price; (h) where the terms of the subscription or acquisition rights of the Bank's shares contained in any issuance of securities are modified and where, as a result of such modification, the subscription or acquisition price per share is less than 95% of the corresponding market price; and (i) offerings of any securities in which shareholders are recognised as having an acquisition right and which are not caught by any of the above events.

### 3. **DISAPPLICATION OF THE PRE-EMPTIVE SUBSCRIPTION RIGHT**

*In accordance with the directors' report approved under section 5 below, it is agreed to disapply the pre-emptive subscription right of the Bank's shareholders with respect to the Issuance on the understanding that this is in the Bank's interests, in accordance with the powers specifically conferred by shareholders at the Annual General Meeting held on 14 May 2021, under the terms of Articles 417 and 511 of the LSC.*

### 4. **CAPITAL INCREASE**

*Pursuant to the delegation of powers for the issuance of any securities contingently convertible into shares agreed upon at the Annual General Meeting held on 14 May 2021 under item 11 on the agenda, and under the agreement to delegate in the Board of Directors powers to increase the share capital approved by the Annual General Meeting held on 22 May 2020 under item seven on the agenda, and in accordance with Article 414 of the LSC, it is agreed to increase the share capital by the maximum amount necessary to cover the eventual conversion of the Preferred Securities to be issued.*

*Given that the maximum nominal amount of the issuance amounts to seven hundred and fifty million euros (€750,000,000), assuming a Conversion Floor Price of two euros and fourteen cents (€2.14) per share, the maximum number of shares to be issued, if any, would be three hundred and fifty million four hundred and sixty-seven thousand two hundred and eighty-nine (350,467,289) common shares (the "**Maximum Number of Shares**"), assuming that no anti-dilution adjustment is made. It is expressly envisaged that the capital increase may be carried out with a higher share premium or for a smaller number of shares and with incomplete subscription also permitted.*

*It is expressly stated that, under the additional fifteenth provision of the LSC and as stated in the delegation of authority agreed by the Annual General Meeting of shareholders held on 14 May 2021, the capital increase is not subject to the maximum limitation of 20% of share capital at the time of the authorisation provided for in Article 511 of the LSC and in the agreement adopted by the Annual General Meeting of shareholders held on 22 May 2020 under item seven on the agenda for capital increases with the disapplication of the pre-emptive subscription right (i.e. €1,196,287,606), being applicable to capital increases which the Board of Directors may approve to cover the conversion of these securities, the general limit of 50% of the share capital at the time of authorization (i.e. €2,990,719,015). The maximum amount of the capital increase corresponding to the conversion to which the present Issuance could give rise, together with the remaining corresponding amounts for the purposes of the abovementioned limit, would not exceed that general limit.*

*This capital increase will be carried out totally or partially by the Board of Directors or by persons expressly authorised for that purpose and under the conditions set out in*

*section 6 below, when the capital increase becomes necessary in order to cover the eventual conversion of the Preferred Securities. The capital increase will be effected through the issuance of new common shares with the same nominal value and the same rights as the common shares that remain outstanding on the date the corresponding resolution to raise capital is adopted. If the Board of Directors, or the persons expressly authorised for that purpose and under the conditions set out in section 6 below, executes this resolution, the Board, or the persons concerned, shall redraft the relevant article of the By-laws relating to share capital.*

*In accordance with Article 304.2 of the LSC, the pre-emptive subscription right of shareholders will not apply to capital increases that result from the conversion of the Preferred Securities.*

*It is agreed to request the admission to trading of the shares issued by CaixaBank to cover the conversion of the Preferred Securities on the Barcelona, Madrid, Bilbao and Valencia Stock Exchanges, as well as on any other markets on which the Bank's shares are admitted to trading. It is expressly stated that if a request is subsequently made to delist the issued securities, the adoption of the corresponding resolution will be subject to the legal requirements and formalities and, in such case, the interests of any shareholders or holders of Preferred Securities who vote against or do not vote at all on the resolution must be protected by duly observing the requirements set out in the LSC and related legal provisions, all the foregoing in accordance with the regulations of the stock exchanges concerned, Royal Legislative Decree 4/2015 of 23 October, enacting the restated text of the Securities Market Law and all implementing provisions.*

**5. APPROVAL OF THE REPORT DRAWN UP BY THE BOARD OF DIRECTORS FOR THE PURPOSES OF ARTICLES 414, 417, 510, 511 AND 286, IN RELATION TO ARTICLE 297.1 B) OF THE LSC**

*The report drawn up by the Board of Directors for the purposes of Articles 414, 417, 510, 511 and 286 in relation to 297.1 b) of the LSC is hereby approved and attached as Appendix II.*

*The report of the Board of Directors will be made available to CaixaBank shareholders upon publication of the announcement of the next Annual General Meeting of the Bank to be held.*

**6. SUBSTITUTION OF POWERS**

*In accordance with the delegation of powers conferred by shareholders at the Annual General Meeting held on 14 May 2021 under item 11 on the agenda, and without prejudice to the provisions of the last paragraph of paragraph (d) and the last paragraph of point (f), the broadest powers required by law are hereby also vested in the Chairman, José Ignacio Goirigolzarri Tellaeché, the Chief Executive Officer, Gonzalo Gortazar Rotaeché and the Chief Financial Officer, Javier Pano Riera, so that any of them may, without distinction, interpret, apply, execute and implement this resolution to issue securities, including authority for such persons to rectify and further specify this resolution as and when necessary and likewise to comply with any legal requirements to ensure the effectiveness of the resolution, this to include powers to cure omissions or defects in that resolution, as indicated by any national or foreign authority, public servant or institution, and to adopt any further resolutions and execute*

*any public or private documents as they deem necessary or desirable for the purpose of adjusting the resolution to issue securities and the corresponding capital increase to address any defects or issues raised verbally or in writing by the Companies Registrar or, in general, any other competent national or foreign authority, public servant or institution. In particular, though without limitation, such persons are granted the necessary powers so that any of them may, without distinction:*

- (a) *decide to proceed with or abandon the Issuance, thus determining, among other matters, the start date of the Book Building Process to be undertaken by the Placement Entities of the Issuance, as well as the period and terms for subscribing and paying up the Preferred Securities and their date of issue;*
- (b) *determine the terms and conditions of the Preferred Securities on all matters not provided for in this resolution, in particular those terms that are expected to be fulfilled as a result of the Book Building Process, with authority to implement, further specify or amend them as provided for above, including the Conversion Floor Price in accordance with the terms of this resolution;*
- (c) *declare the Issuance fully or only partially subscribed for, based on the outcome of the Book Building Process, and thus determine the final amount of the Issuance subject to the relevant limits;*
- (d) *announce the remuneration payable on the Preferred Securities, whether that be partial or full remuneration, pursuant to the terms of this resolution and as determined in accordance with the Terms and Conditions of the Issuance. However, the Board of Directors or the Executive Committee will be solely responsible for announcing that no remuneration will be payable, as determined in the Terms and Conditions of the Issuance;*
- (e) *apply, where appropriate, the anti-dilution mechanisms, in accordance with the Terms and Conditions of the Issuance;*
- (f) *if and when the time comes to convert the Preferred Securities into shares of CaixaBank, to set the Conversion Price, to determine the amount of the capital increase and the number of shares of CaixaBank to be issued, executing the capital increase and declaring, as the case may be, that the increase has been incompletely subscribed, and to act as necessary, including, without limitation, authority to grant any public or private documents that prove necessary to effect the capital increase and to amend the wording of the Bank's By-laws to reflect the new amount of capital, with authority also to appear for these purposes before any public or private body, all the foregoing in accordance with the terms of this resolution. The above notwithstanding, the Board of Directors or the Executive Committee shall be solely responsible for declaring the existence of the conversion event, as defined in section 2.2 above, prior to any conversion; and*
- (g) *appear before a notary public and execute or sign any public instruments that prove necessary or desirable in order to formalise the above resolutions (particularly, though without limitation, the instrument used to issue the Preferred Securities, the certificate of subscription and payment of the Preferred Securities and, as the case may be, the instrument used to effect the*

*capital increase to cover the eventual conversion), including any further powers deemed appropriate or fitting so as to ensure that those instruments are filed or deposited at the corresponding registries, with partial filing also permitted.*

## **7. GRANTING OF POWERS**

*Notwithstanding the delegation of powers described in the preceding section, Gonzalo Gortazar Rotaeché, David López Puig, Jorge Mondéjar López, Óscar Calderón de Oya, Óscar Figueres Fortuna, Javier Pano Riera, Matthias Bulach, Ignacio Redondo Andreu, Sergio Castellá Quintana, Álex Valencia Baeza, Jordi Soy Viñas, and María Castro Payo are all granted the fullest powers required by law so that any of them may, acting jointly and severally and indistinctly, act as necessary or as deemed desirable in order to execute the above resolutions, including, without limitation, the following powers:*

- (a) carry out any formality, request or appointment that may be required by law in order to complete the Issuance of the Preferred Securities, doing so before any body or entity, whether public or private;*
- (b) formalise and/or file prospectuses, offer documents, admission to trading documents or any other similar documents concerning the Issue, as well as any further documents whereby such persons assume responsibility for the content of the foregoing documents, and any other documents required for the issuance, placement and admission to trading of the Preferred Securities as before the Bank of Spain, the European Central Bank, the governing bodies of the securities markets, Sociedad de Bolsas (Spanish stock exchange manager), the Companies Registry, the CNMV, Iberclear, the AIAF fixed income market, or any other bodies or markets;*
- (c) request, where appropriate, admission to trading of the Preferred Securities on the AIAF fixed income market and/or on any other national or foreign secondary markets, whether or not official and whether or not organised;*
- (d) designate one or more financial institutions to act as Placement Entity(s) of the Issuance. negotiate, sign and execute any contracts and public or private documents as may prove necessary or desirable for the purposes of carrying out the Issuance, under the terms and conditions deemed most appropriate, whether subject to the laws of England, Spain or any other law, including, among other documents, placement and underwriting contracts (in the form of a subscription agreement, purchase agreement or any other), agency agreements (fiscal agency agreements, calculation agency agreements or others), appointment letters for procedural agents and, as the case may be, representatives of the bond holders (including trustees) and, in general, any documents, instruments, or contracts to ratify, further specify, amend, novate, clarify, modify and/or reword or restate any such documents, including any and all ancillary instruments or documents;*
- (e) undertake any action, make any declaration, complete any formality and sign any certificates, instructions, notifications of privileged or significant information, announcements or documents as may prove necessary or desirable in connection with the Issuance of the Preferred Securities, doing so before any*

*body, entity or registry, whether public or private, with authority to determine the specific content and terms of such items;*

- (f) *request the admission to trading of any new shares issued to cover the eventual conversion of the Preferred Securities in the markets where the shares are listed at the time of issue, and likewise to act as deemed necessary in any jurisdiction in which CaixaBank shares are offered or listed or in which a request for admission to trading has been submitted. Including, without limitation, powers to:*
  - (i) *draw up such prospectuses, requests, communications or notifications as may be required by applicable legislation in each competent jurisdiction and agree upon any subsequent modifications to those items that they deem appropriate;*
  - (ii) *act as necessary before any competent authorities in each jurisdiction and approve and formalise such public or private documents as prove necessary or desirable to ensure the absolute effectiveness of any resolution that may be carried to increase capital carried in order to cover the conversion of the Preferred Securities, in relation to any aspect of such actions and documents;*
- (g) *appear before notary public to sign and execute the instrument to issue the Preferred Securities and, where appropriate, the certificate of subscription and payment of the Preferred Securities and, as the case may be, the instrument to increase capital to cover the eventual conversion of those securities, including the signing of public instruments to put on record the corresponding resolutions; and act as necessary to file such instruments at the Companies Registry and any other competent body, with partial filing permitted if appropriate, and with authority also to execute any further or amending instruments that may prove necessary or otherwise desirable;*
- (h) *in general, act as necessary to ensure the full and effective execution of these resolutions and to complete all supplementary or ancillary business; act as necessary or desirable in order to secure any authorisations or filings that may be required by the Bank of Spain, the European Central Bank, the Spanish Securities Market Regulator (CNMV), the Companies Registry, or any other public or private body, including, by way of example only, authority to make statements, publish advertisements, request authorisations, draft and send communications to the supervisory authorities, or request the filing of the resolutions at the pertinent registries.*

## ***Appendix I – Terms and Conditions***

## ***Appendix II – Directors' Report"***