



**DIRECTOR'S REPORT ISSUED BY THE BOARD OF DIRECTORS OF CAIXABANK, S.A. AT ITS MEETING HELD ON 29 JULY 2025 IN CONNECTION WITH THE ISSUANCE OF CONTINGENT CONVERTIBLE PREFERRED SECURITIES INTO NEWLY ISSUED ORDINARY SHARES, WITH THE EXCLUSION OF PRE-EMPTIVE SUBSCRIPTION RIGHTS, PURSUANT TO THE AUTHORITY DELEGATED TO IT BY THE ORDINARY GENERAL SHAREHOLDERS' MEETING HELD ON 22 MARCH 2024, IN ACCORDANCE WITH THE PROVISIONS OF ARTICLES 414, 417, 510, 511 AND 286, IN RELATION TO ARTICLE 297.1.B) OF THE SPANISH COMPANIES ACT**

**Report of the Board of Directors of CaixaBank, S.A. in its session dated July 29, 2025 meeting 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 22 May 2024, 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 22 March 2024 under item 5.4 on the agenda (the "**2024 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

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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)).

interests. Section of Article 511 provides that the convertible bond issue agreement adopted based on the 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. Morgan SE, an international investment bank with recognised experience in this type of issue; and (ii) the law firm Uría Menéndez Abogados, 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 22 MARCH 2024**

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 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. Establishment of the criteria to determine the bases and modalities of the conversion.*

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 10% of share capital, as approved by shareholders at the Annual General Meeting as item 5.3. on the agenda, or any maximum limit approved in a future Annual General Meeting nor to the limitation provided in article 511 of the Capital Companies Act, in accordance with the fifteenth additional provision of the Capital Companies Act, which excludes the application of this limit to credit institutions. 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 authority delegated to it by the aforementioned General Shareholders' Meeting in connection with the issuance titled "CaixaBank, S.A. €1,000,000,000 Perpetual Non-Cumulative Contingent Convertible Additional Tier 1 Preferred Securities" carried out on 24 January 2025 (the "**2025 Preferred Securities**"). Accordingly, in the event that the Issuance is fully subscribed for its maximum nominal amount, the remaining available amount under the delegation would be one billion seven hundred and fifty million euros (€1,750,000,000).

### **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.

This issuance strengthens CaixaBank's Total Capital position, which already significantly exceeds the SREP requirements (as defined below).

As of 30 June 2025, on a consolidated basis, CaixaBank's CET1 ratio stood at 12.3%, and its Total Capital ratio reached 16.6%, significantly above the consolidated SREP requirements for CET1 (8.68%)<sup>2</sup> and Total Capital (12.94%)<sup>3</sup>.

- (b) The Issuance will therefore enable CaixaBank to proactively and orderly manage the market expectations, as well as the early redemption or buy-back of the issuances of preferred securities that it currently has in circulation (the suitability of which will be assessed at the time of deciding about the existing options), or plan possible buybacks of these at all times guaranteeing the fulfilment of the capital adequacy requirements efficiently.

In particular, CaixaBank has outstanding an issuance of preferred securities, initially issued for a nominal amount of one billion two hundred and fifty million euros (€1,250,000,000), carried out in March 2018 (hereinafter, the "**2018 Preferred Securities**"), which constitutes the largest preferred securities issuance undertaken by CaixaBank to date, significantly exceeding those issued by the Bank since then, which—except for the 2025 Preferred Securities—have not exceeded seven hundred and fifty million euros (€750,000,000). The terms and conditions of the 2018 Preferred Securities provide for the possibility of early redemption at CaixaBank's option starting from the eighth year following their issuance (i.e., as from March 2026).

In this regard, in the context of the issuance of the 2025 Preferred Securities, on 16 January 2025 the Bank launched an invitation to the holders of the 2018 Preferred Securities to tender them for repurchase by the Issuer, in cash, for a maximum acceptance amount of one billion euros (€1,000,000,000). Ultimately, the repurchase of preferred securities with an aggregate nominal amount of eight hundred and thirty-five million six hundred thousand euros (€835,600,000) was accepted, resulting in an aggregate nominal amount of four hundred and fourteen million four hundred thousand euros (€414,400,000) of

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<sup>2</sup> As of the date of the requirement, such requirement includes: the Pillar 1 requirement (4.5%), the Pillar 2 Requirement ("P2R") (0.98%), and the Combined Buffer Requirement (3.19%), composed of: the Capital Conservation Buffer (2.50%), the Other Systemically Important Institutions ("O-SII") Buffer (0.50%), the Countercyclical Buffer (0.12%) applicable to exposures in jurisdictions where such buffer is activated, and the Systemic Risk Buffer applicable to mortgage exposures in Portugal (0.07%), in force since October 2024.

<sup>3</sup> Adicionalmente a los requisitos de CET1, la ratio mínima exigible de capital total a nivel consolidado incluye: (i) los requisitos de Pilar 1 de Additional Tier 1 (1,5%) y Tier 2 (2%), y (ii) la parte correspondiente del P2R que puede ser cubierto con capital Additional Tier 1 y Tier 2 (0,33% y 0,44%, respectivamente).



the 2018 Preferred Securities remaining outstanding (the “2025 Repurchase Offer”). Consequently, following the repurchase, an amount of four hundred and fourteen million four hundred thousand euros (€414,400,000) of the 2018 Preferred Securities currently qualifies as Additional Tier 1 capital.

This issuance would serve to minimise the risk associated with a potential refinancing of any preferred securities currently outstanding, by ensuring the availability of instruments within the same regulatory category. In any case, should at the time when the exercise of the corresponding early redemption or buy-back 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 or buy-back, 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 or buy-back options, 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 10.90 % 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 or its Group.
- (c) 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, calculated in accordance with CRR and other applicable regulations, falls below 5.125%.

In addition to the fact that the conversion event is both contingent and highly limited, even in the event of a forced conversion of the Preferred Securities, a variable conversion rate is established based on CaixaBank’s share price at the time, which ensures that shareholders will not experience any economic

dilution, given that the issuance of shares would be carried out at market value at the time of conversion (or, should the minimum conversion price apply, at a price above market value at that time, in which case the economic dilution for shareholders would be negative). Accordingly, the proposed conversion rate guarantees that the conversion price shall in no case be lower than the fair value of CaixaBank's shares, understood as their market value, determined by reference to the trading price (Article 504.3 of the Spanish Companies Act).

Lastly, the conversion rate established includes, as previously indicated, a Minimum Conversion Price (as defined below), thereby ensuring that the shares would be issued at a price equal to or higher than their market value. This mechanism limits the maximum number of shares to be delivered, thereby capping the potential maximum economic and voting dilution that CaixaBank shareholders could suffer in the event of a conversion event. It is hereby stated that the Minimum Conversion Price shall be adjusted, if necessary, pursuant to the customary anti-dilution provisions applicable to CaixaBank's convertible securities issuances.

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, which must stand at a minimum of 3%. In accordance with Article 429 of the CRR, 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.

Furthermore, the Preferred Securities are also "eligible" for MREL purposes, and therefore the Issuance will increase the buffer of eligible liabilities for MREL. In particular, MREL requirements are set out in 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 (the "**BRRD**"), with the aim of ensuring that banks have sufficient loss absorption capacity (expected in resolution or upon reaching the point of non-viability) and recapitalisation capacity (following the application of the measures set out in the resolution plan and strategy or the exercise of write-down and conversion powers), in order to restore the institution's total capital or leverage ratio to the level required to maintain its authorisation conditions.

As of 30 June 2025, CaixaBank's total and subordinated MREL ratios stood at 23.7% and 27.0%, respectively, of risk-weighted assets (hereinafter, "**RWA**"), representing a substantial buffer above the applicable MREL requirements (i.e., 24.42% and 16.69%, respectively, including 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 published its recommendations on the Basel III framework, which included reforms aimed at

strengthening international capital and liquidity standards applicable to credit institutions, with the objective of promoting a more resilient banking sector. These recommendations were incorporated into EU law through (i) 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 (the “**CRD**”) and (ii) the CRR, which together implement the framework known as “Basel III”.

While the CRD required national transposition in each Member State of the European Union, the CRR is directly applicable. In Spain, the CRD regime was primarily transposed through Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions (“**Law 10/2014**”), Royal Decree 84/2015 of 13 February implementing Law 10/2014 of 26 June on the regulation, supervision and solvency of credit institutions (“**Royal Decree 84/2015**”), and Circular 2/2016 of 2 February issued by the Bank of Spain. All of the foregoing is complemented by various binding technical standards, as well as other recommendations and guidelines issued by national and supranational authorities.

In November 2016, the European Commission presented a package of reforms amending the regulatory framework under the CRR, CRD and BRRD, which were ultimately enacted on 7 June 2019 through the publication of, among others, Directive (EU) 2019/878 of the European Parliament and of the Council of 20 May 2019 amending the CRD (“**CRD V**”), Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending the CRR (“**CRR II**”), and Directive (EU) 2019/879 of the European Parliament and of the Council of 20 May 2019 amending the BRRD (“**BRRD II**” and, together with CRD V and CRR II, the “**Reform Package**”). CRD V was partially transposed into Spanish law through Royal Decree-Law 7/2021 (which amended, among others, Law 10/2014) and Royal Decree 970/2021 (which amended, among others, Royal Decree 84/2015). Finally, with the approval of the new Circular 3/2022 of the Bank of Spain, amending Circular 2/2016, the transposition of CRD V into Spanish law was completed. BRRD II, for its part, was incorporated into Spanish law through Royal Decree-Law 7/2021 (which 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 amended, among others, Royal Decree 1012/2015 implementing Law 11/2015).

On 19 June 2024, Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending the CRR (“**CRR III**”) and Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending the CRD (“**CRD VI**”) were published in the Official Journal of the European Union. The primary objective of this reform was to implement in the European Union the latest amendments to the Basel capital framework (Basel III), as well as new requirements related to ESG risk exposures, crypto-assets and shadow banking. CRR III and CRD VI entered into force on 9 July 2024. In this regard, CRR III shall apply generally as from 1 January 2025 (subject to certain exceptions). As for CRD VI, Member States must transpose the directive into their national legislation within 18 months from its publication (i.e., by no later than 10 January 2026).

The regulatory framework implementing Basel III requires credit institutions, in order to be considered adequately capitalised, to maintain certain proportions of own funds instruments depending on the composition and size of their balance sheets.

Accordingly, the applicable regulations establish, inter alia, a minimum capital requirement (“**Pillar 1**”), which may be met, in certain proportions, not only with the highest quality own funds (Common Equity Tier 1 or “**CET1**”), which are more burdensome and less efficient, but also with two additional categories of regulatory capital: Additional Tier 1 and Tier 2 capital. In parallel, the required capital level is increased through the “combined capital buffer requirement”, which must be met with CET1 capital and is added to the amount needed to comply with Pillar 1, Pillar 2R and Pillar 2G requirements.

In addition to Pillar 1, the European Central Bank (“**ECB**”) sets each year, based on the outcome of the Supervisory Review and Evaluation Process (“**SREP**”), a specific capital requirement for each institution (known as the “Pillar 2 requirement” or “**Pillar 2R**”), which may currently be met, in part, with Additional Tier 1 and Tier 2 instruments. Therefore, the Preferred Securities may also contribute to meeting the Pillar 2 requirement. Furthermore, the ECB sets the so-called “**Pillar 2 guidance**” or “**Pillar 2G**”, which constitutes a guidance applicable to all capital levels and whose breach entails increased supervisory intensity.

As a result of the SREP update, as announced by the Bank through a privileged information communication dated 11 December 2024, the ECB maintained for 2025 the Pillar 2 requirement applicable to the Bank at 1.75%, of which at least 0.98% must be covered with CET1 capital.

Based on the above, as of June 2025, the Group must maintain a CET1 capital ratio of 8.68%, which includes: the minimum Pillar 1 requirement (4.50%), the Pillar 2 requirement (0.98%), the capital conservation buffer (2.50%), the buffer for Other Systemically Important Institutions (0.50%)<sup>4</sup>, the countercyclical buffer (0.12%)<sup>5</sup> for exposures in countries with an activated buffer, and the systemic risk buffer for mortgage exposures in Portugal (0.07%)<sup>6</sup>, in force since October 2024.

Additionally, based on the minimum Pillar 1 requirements applicable to Tier 1 capital (6%) and Total Capital (8%), the requirements amount to 10.51% and 12.94%, respectively.

It is hereby stated that, on 15 May 2024, the Bank disclosed as other relevant information the receipt of a resolution from the Bank of Spain regarding the application of reciprocity on a sectoral systemic risk buffer activated by the Bank of Portugal pursuant to Article 133 of the CRD, imposing on CaixaBank the obligation to maintain, on a consolidated basis, a sectoral systemic risk buffer equal to 4% of its retail exposures to natural persons secured by residential real estate located in Portugal, to which the internal ratings-based approach applies for calculating own funds requirements for credit risk.

Moreover, on 1 October 2024, the Bank of Spain announced that a standard level of cyclical systemic risks (intermediate between high and low) would be associated, from that moment, with a 1% countercyclical buffer. In this regard, it set the countercyclical capital buffer at 0.5% from Q4 2024, applicable as from 1 October 2025. Subsequently,

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<sup>4</sup> Applicable solely on a consolidated basis.

<sup>5</sup> Estimated based on exposures as of 31 March 2025. As from 1 October 2025, a buffer for credit exposures in Spain of 0.50% will be activated, which is expected to result in an estimated increase of 37 basis points. Subject to quarterly updates, it may differ between individual and consolidated levels.

<sup>6</sup> Applicable solely on a consolidated basis. Estimated based on exposures as of 31 March 2025.

and subject to cyclical systemic risks remaining at a standard level, the buffer is expected to be raised to 1% from Q4 2025 (for application as from 1 October 2026). On 8 July 2025, the Bank of Spain published the launch of the public consultation process to increase the countercyclical capital buffer to 1.0% from Q4 2025, although it will not be enforceable until one year later.

As of 30 June 2025, CaixaBank's CET1 capital ratio stood at 12.3% on a consolidated basis and 11.7% on an individual basis, with Tier 1 capital ratios of 14.1% and 13.7%, respectively, and Total Capital ratios of 16.6% and 16.3%, respectively. These regulatory ratios include a prudential deduction for excess capital above 12.25%, the upper bound of the target for potential extraordinary capital distributions in 2025, and are well above the minimum capital requirements currently applicable to the Group.

Nevertheless, the Board of Directors considers that the regulator may require additional capital buffers in the future beyond those currently applicable, and that current Pillar 2 measures will be reviewed annually, based on the conclusions drawn by the ECB from successive SREP cycles, potentially imposing higher Pillar 2 requirements than those currently in force. Therefore, the Board of Directors believes that CaixaBank and its Group must maintain capital ratios comfortably above minimum regulatory levels.

As previously noted, in addition to the capital requirements described above, CaixaBank must also comply with MREL requirements and a leverage ratio, and the Preferred Securities help strengthen both solvency metrics.

On 17 December 2024, the Bank of Spain formally notified the minimum requirement for own funds and eligible liabilities as determined by the Single Resolution Board ("**SRB**") based on information as of 31 December 2023. According to this notification, CaixaBank, on a consolidated basis, must meet, from the date of receipt of the notification, a minimum volume of own funds and eligible liabilities ("**Total MREL Requirement**") of 21.23% in terms of risk-weighted assets ("**RWA**"), which would rise to 24.42% including the combined capital buffer requirement ("**CBR**")<sup>7</sup> (13.50% at the level of subordinated MREL, rising to 16.69% including the current CBR, remaining unchanged from the current requirement). Compared to the requirement in force until receipt of the notification, the new requirement represents a reduction of 31bps, mainly reflecting a decrease in the Market Confidence Charge ("**MCC**"). From the date of receipt of the notification, CaixaBank, on a consolidated basis, must also comply with a total and subordinated MREL requirement of 6.15% based on leverage ratio exposure ("**LRE**").

As of 30 June 2025, CaixaBank has reached a MREL ratio of 27.0% of RWAs and 10.5% in terms of LRE. At the subordinated level, including only senior non-preferred debt, the MREL ratio of subordinated instruments stands at 23.7% of RWAs and 9.3% in terms of LRE as of 30 June 2025.

The leverage ratio stands at 5.5% of regulatory exposure as of 30 June 2025, with the regulatory requirement being 3% pursuant to Article 92 of the CRR.

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<sup>7</sup> The combined capital buffer requirement ("**CBR**") stands at 3.19%, including the estimated CBR for June 2025. As from 1 October 2025, a buffer for credit exposures in Spain of 0.50% will be activated, which is expected to result in an increase of approximately 37 basis points.

Applying the same criteria and prudence as with capital requirements, the Board of Directors considers that CaixaBank and its Group must maintain a MREL position and leverage ratio above minimum regulatory levels.

### **3.2 Market Situation**

Given the Bank's policy of maximum prudence and forward-looking capital planning, the Board of Directors considers it appropriate to have prior authorisation in place to carry out a new issuance of Preferred Securities, thereby enabling the Bank to take advantage of situations deemed economically and market-wise favourable, and providing the Bank with flexibility to execute the Issuance at the most opportune time.

In this way, the Bank seeks to potentially benefit from prevailing market conditions at any given time. In this regard, recent months have seen significant investor interest in instruments eligible as Additional Tier 1 capital in both the European and U.S. markets, as reflected in issuance volumes and pricing levels, with credit spreads at historically low levels. This activity indicates a potentially strong demand for the Bank's Preferred Securities. Both the Bank itself and several peer institutions have taken advantage of these market conditions to issue Additional Tier 1 capital instruments, evidencing growing investor interest and market appetite. These developments suggest that a potential issuance by the Bank could attract interest from professional clients and eligible counterparties.

### **3.3 Conclusion**

In conclusion, despite the fact that CaixaBank and its Group comfortably comply with the own funds and eligible liabilities requirements currently in force, the current financial and market 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, options for the early redemption of the issuances of preferred securities that it currently has in circulation or plan for possible repurchases of these, 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 potential "market windows" 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.

#### **4. CURRENT REASONS AND SITUATION THAT JUSTIFY 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 this term is defined in the terms and conditions of the Issuance, which shall amount to two-thirds of the closing trading price of CaixaBank's shares on the day prior to the date on which the final terms and conditions of the Issuance are set ("pricing"), and which shall be determined by the persons expressly authorised for such purpose in the issuance resolution, provided that under no circumstances shall it be lower than four euros and twenty cents (€4.20) per share. The Conversion Floor Price will be changed, if required, when applying the anti-dilution adjustments provided for in subsection 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; (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, all this 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; and (j) if the bank determines that for any other reason it is necessary to lower the Minimum Conversion Price.

## 6. INCREASE OF CAPITAL

Pursuant to the 2024 Delegation Agreement and under the agreement to delegate powers in the Board of Directors to increase the share capital approved under item 5.3 on the agenda 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 is seven hundred and fifty million euros (€750,000,000), and assuming a Minimum Conversion Price of four euros and twenty cents (€4.20) per share, the maximum number of ordinary shares to be issued, if applicable, would amount to one hundred seventy-eight million five hundred seventy-one thousand four hundred twenty-eight (178,571,428) ordinary shares (the “**Maximum Number of Shares**”), assuming no anti-dilution adjustments are applied. The possibility is expressly contemplated that the capital increase may be executed with a higher issue premium, for a lower number of shares, and with the possibility of incomplete subscription.

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 2024 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 and the minimum requirements for eligible liabilities 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,) 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 article 209 of the Law Securities Market and Investment Services 6/2023 (hereinafter “**LSM**”), 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, according to Article 208 of the LMV these types of instruments are not considered as non-complex financial instruments 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, the disapplying of pre-emptive right enables the Bank with the flexibility to carry out the Issuance at the time it deems appropriate: it allows it to achieve the objective pursued with the Issue of raising capital resources and to take advantage of those situations deemed appropriate in economic and market terms, as well as to capture 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; preparation for the maturities and early redemption options of capital instruments and eligible liabilities currently outstanding; planning for potential repurchases of such instruments, in case the Bank decides to exercise such early redemption options or carry out repurchase transactions; prevailing market conditions at any given time; target investors of the Issuance; and execution speed) makes it advisable, in the interest of the Company, to proceed with the issuance of the Preferred Securities, targeting exclusively investors classified as professional clients and eligible counterparties, and consequently excluding shareholders' pre-emptive subscription rights.

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>8</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

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<sup>8</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).

enabling the entire amount to be allocated as efficiently as possible to 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**

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*Appendix I – Terms and Conditions*

*Appendix II – Directors' Report"*