



kutxabank

2019Q1 Results presentation

25th April 2019

Disclaimer

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

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

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

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

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

Positive dynamics of the business continue in a context not immune to threats

Main performance indicators

NII

+1.8%

YoY

Net income

+5.2%

YoY

ROE

6.41%

+21bp YoY

NPL

3.63%

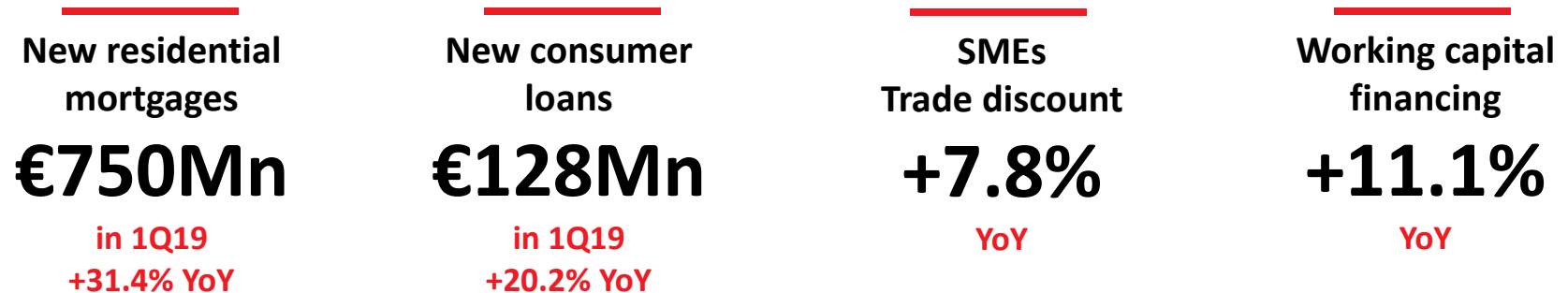
-23bp YtD

Positive dynamics of the business continue in a context not immune to threats

Strength of commercial activity

The positive tone of new lending continues, not only in Retail business but also in the wholesale business network, where the performing SME loan book grew +4.1% YoY.

Retail loan book experiences a slightly positive evolution in 1Q19 helping to sustain overall volumes (+0.4% vs 4Q18).

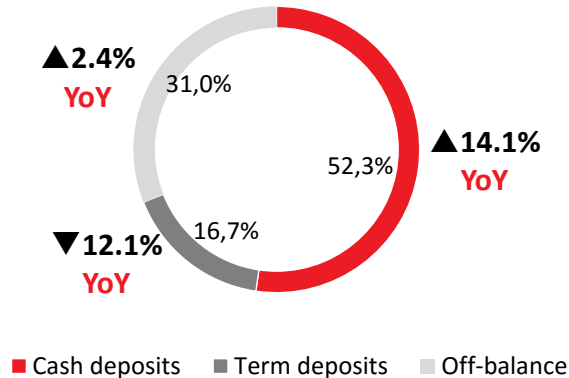


Positive dynamics of the business continue in a context not immune to threats

Strength of commercial activity

Customer funds grow above expectations where cash deposits and off-balance remain main drivers of the increase. The Group's Asset Manager and Insurance companies increase their contribution.

Customer funds distribution and evolution



Investment funds
+3.1%
YoY

Ins contribution through OOI¹
+10.8%
YoY

¹ OOI: Other operating income .

Positive dynamics of the business continue in a context not immune to threats

Solid banking business performance

The significant progress in Net interest income underpins the bank's Basic margin, and together with the increasing contribution of the Insurance business boost banking business income.

Further advances in cost savings and reduction of NPLs in all business areas.

Basic margin to
Operating exp¹

1.45x

Last 12m

Pure banking
business income²

+1.6%

YoY

General
expenditures

-1.3%

YoY

Doubtful loan stock
evolution

-4.9%

vs 4Q18

¹ NII+Fees vs Operating expenditures of the last 12 months. This ratio continues showing an upward trend.

² Pure banking business items: NII+Fees+Insurance business contribution through Other operating income (OOI).

Positive dynamics of the business continue in a context not immune to threats

Innovation and digital solutions

Investing efficiently in business digitalisation to expand digital solution range and to improve user experience

Latest developments

Information on insurance products

Mobile Banking users reviews

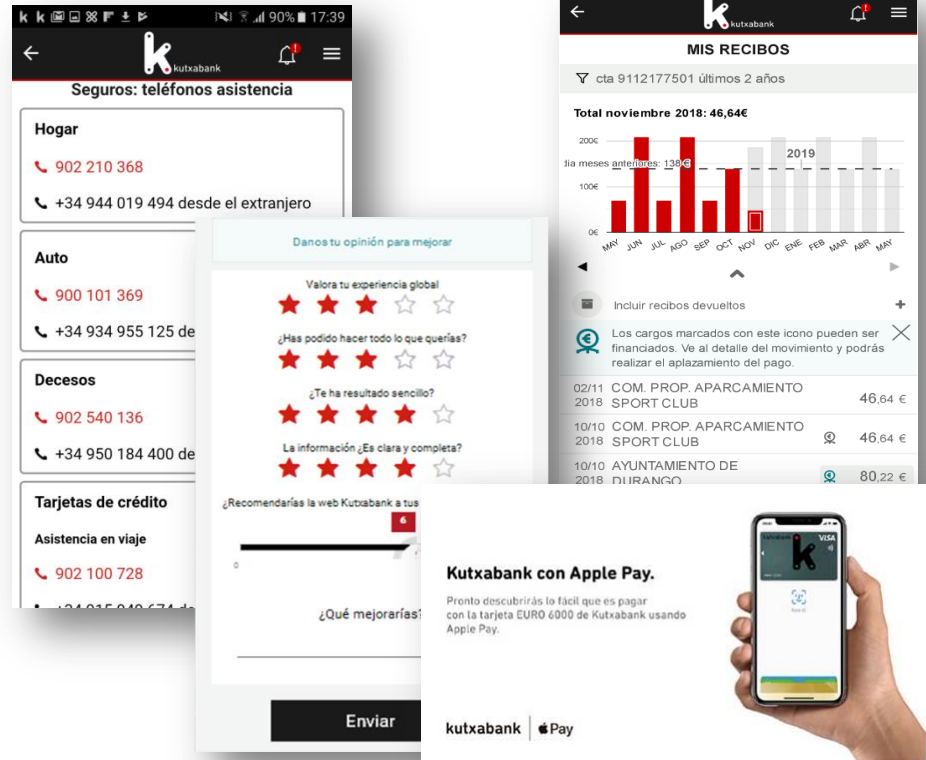
Next receipts forecast

Signature in SME's Mobile Banking

Improvements in Mobile Banking transfers

Personalized offer in mortgages

Apple Pay onboarding



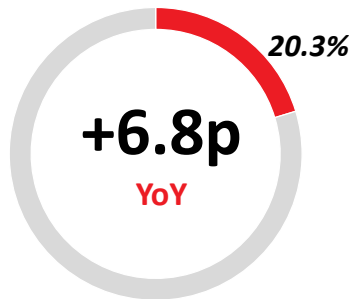
Positive dynamics of the business continue in a context not immune to threats

Innovation and digital solutions

Working on developing the mortgage business through digital channels, while sales through digital channels keep growing.

Digital leads in mortgages

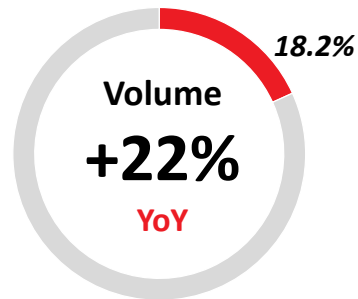
% of new mortgages following digital leads outside Home regions



■ Digital leads ■ Others

Consumer loans

% of new consumer loans through digital channels



■ Digital channels ■ Others



Digital customers

40.0%

+4.6p YoY

Active in mobile banking

26.4%

+5.1p YoY

Digital sales

+34%

YoY

P&L summary

Million of Euros	1Q19	1Q19vs1Q18
Net interest income	140.0	1.8%
Net commissions	95.6	-1.3%
Basic margin	235.7	0.5%
Income from equity instr.&equity method	24.7	-13.1%
Trading income	5.6	-63.3%
Other operating income	27.6	7.1%
Gross margin	293.6	-3.4%
Operating expenditures	-163.6	-1.2%
Pre-provisioning profit	130.0	-6.1%
Provisions	-124.6	137.1%
Other income	97.6	189.0%
Tax and others	3.4	-118.6%
Net income	106.4	5.2%

+5.2%, in line with internal targets

Robust performance of the pure banking business, highlighting the positive evolution of the NII and the increasing contribution of the Insurance business through OOI.

General expenditures still remain on a downward trend.

Despite low needs for impairments, non-recurring income has been used to reinforce provisions.

Top line performance

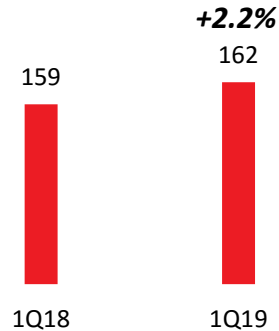
Net interest income (NII)

Signs of improvement

Interest expenditures are no longer the driver for holding the Net interest income.

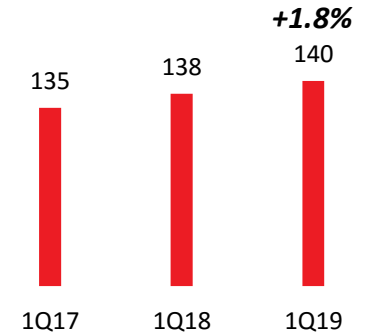
Success in sustaining volumes and margins leads to a year by year recovery.

Interest income YoY evolution



Net interest income

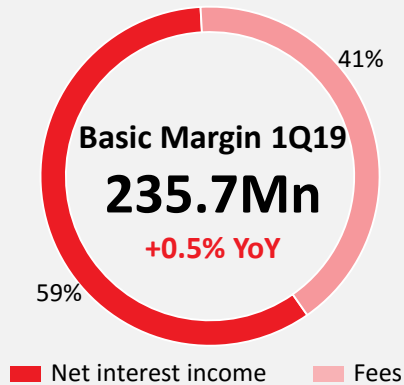
Million of Euros



Top line performance

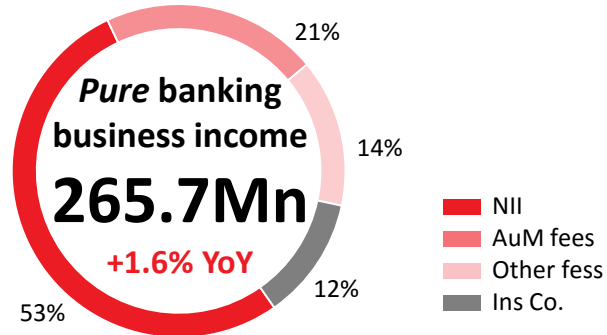
Basic margin (NII+Fees)

Strong and reliable core income base



Banking business income diversification structure provides Kb with a great competitive advantage to deal with current interest rate environment.

Adding Insurance business contribution through OOI



Costs

Operating expenditures

Strict cost containing policy fully operational

Kb has consistently demonstrated its ability to adapt to the new context of banking.

Savings
CAGR¹

4.5%

Last 6yr

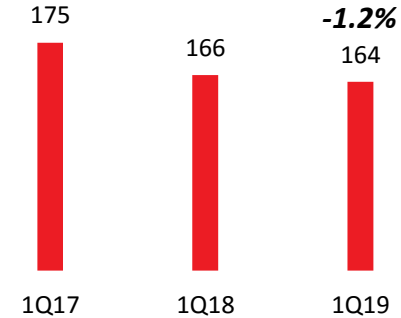
Basic margin
to Op. exp.²

1.45x

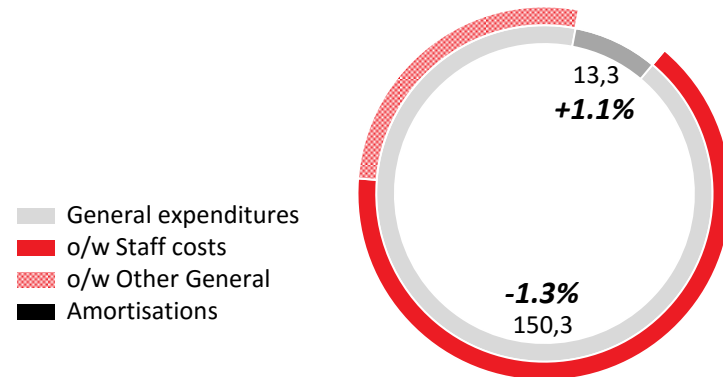
Last 12m

The Group does not expect further contractions in the cost base for the coming years.

Operating expenses YoY evolution (million of Euros)



Operating expenses breakdown



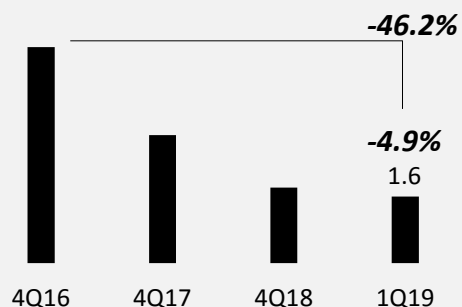
¹ Constant Average Growth Rate of General expenditures in the last 6 years, until December 2018.

² NII+Fees vs Operating expenditures of the last 12 months. This ratio continues showing an upward trend.

Cost of risk

NPLs

Stock of NPLs continue to fall

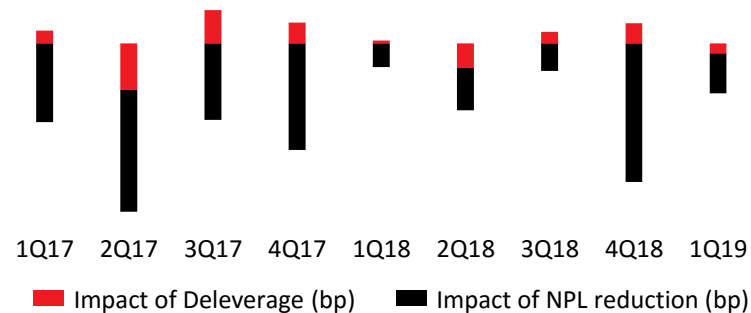


NPL ratio
3.63%

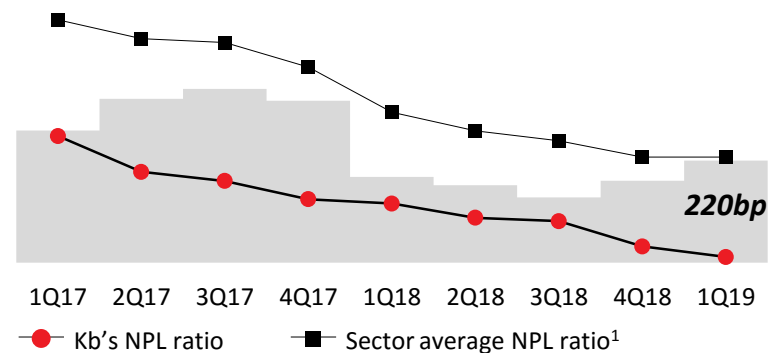
NPL disposals

The sector accrues more than €130bn of NPL disposals in recent years, while Kb has removed only €220 million through a single transaction in 4Q18

NPL evolution breakdown



NPL evolution vs sector



¹ Source: Bank of Spain.

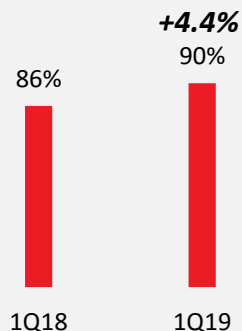
Profitability

Bottom line margins

Consistent growth leading towards a more attractive profitability

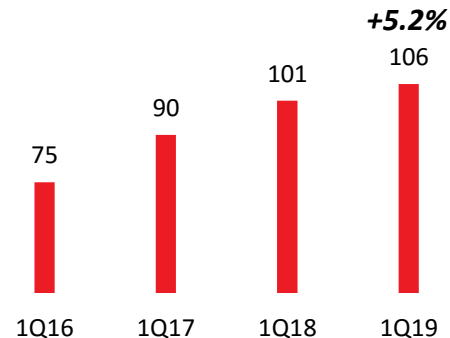
Significant growth of pure banking business despite negative interest rates

Banking business¹ o/Gross margin



Non-recurring income resulting from the market value of the stake in Euskaltel has been fully allocated to build provisions

Net income evolution (million of Euros)



ROE
6.41%
+21bp YoY

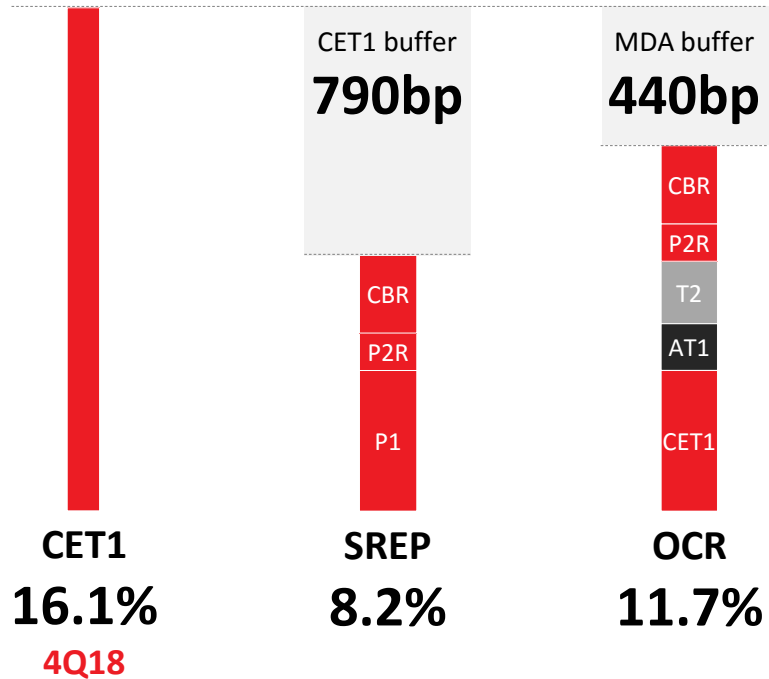
ROA
0.58%
+3bp YoY

¹ Banking business comprises NII+Fees+Insurance business contribution via OOI.

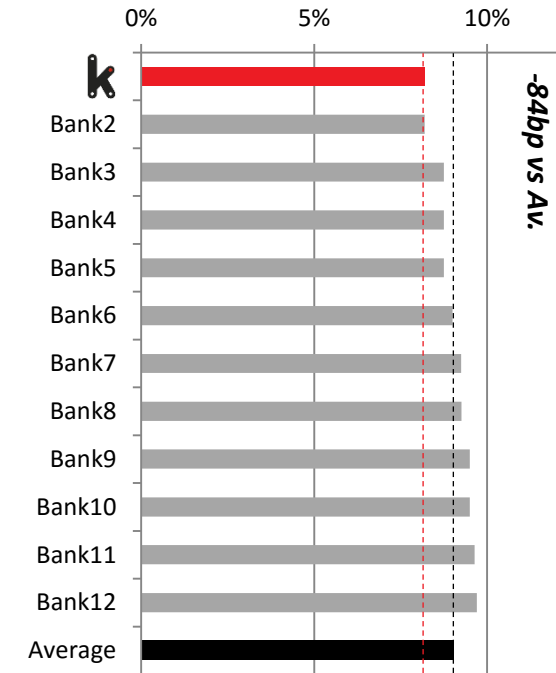
Solvency

Capital requirements for 2019

The lowest capital requirement according to the SREP decision for 2019



Relative position¹



¹ Sample: 12 Spanish banks under direct supervision of the SSM.

Current Liquidity & Funding position

Liquidity risk regulatory indicators

Strong liquidity ratios

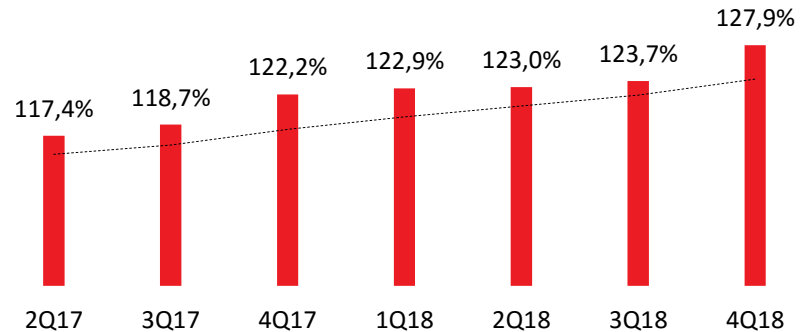
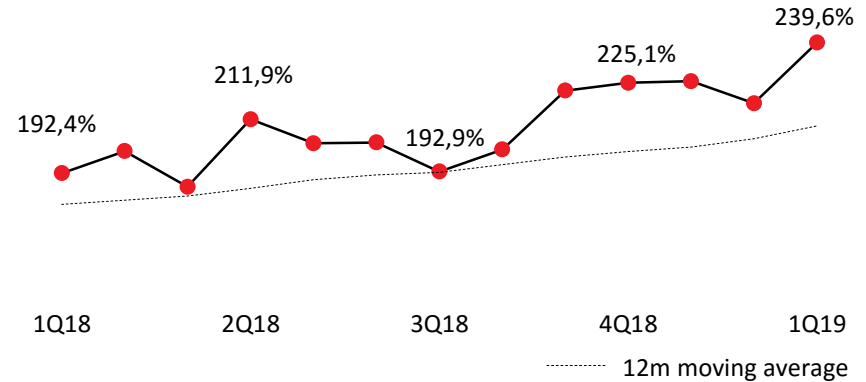
Kb has a solid liquidity position thanks to large-high quality liquid asset buffer and a well diversified funding structure supported by a broad, granular and stable retail deposit base.

LCR
239.6%
1Q19

209.5%
Last 12m av.

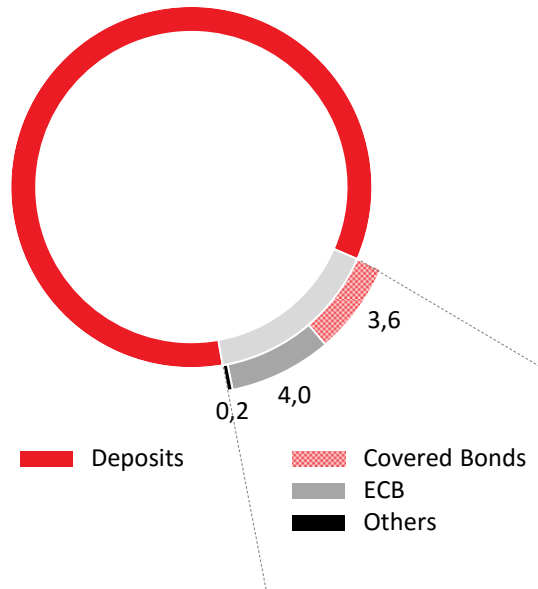
NSFR
127.9%
4Q18

124.0%
Last 12m av.



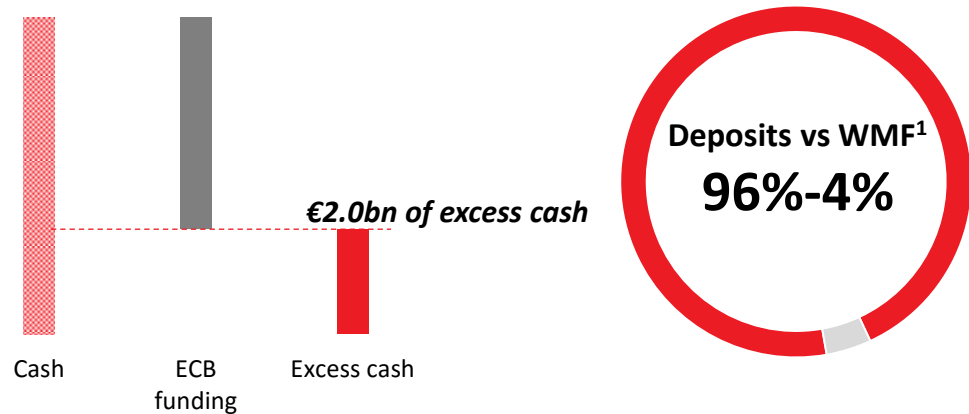
Current Liquidity & Funding position

Funding sources



Structural significance of retail Customer deposits

Besides deposits, covered bonds and ECB funding are the main wholesale funding sources. Kb has €4.0bn from the TLTRO2 which are over-neutralised by a excess cash position.



¹ Wholesale markets funding. "Others" includes €0.04bn of SP and €0.2bn of RMBS.

Current Liquidity & Funding position

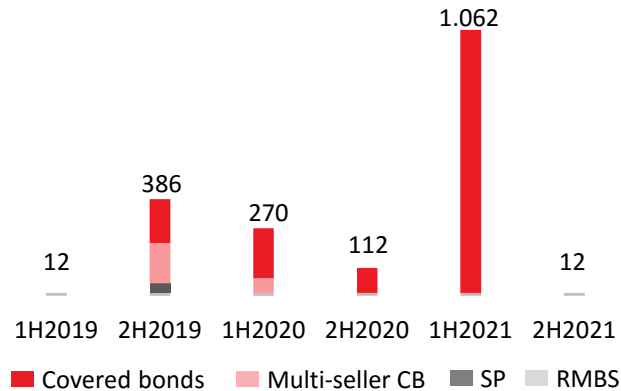
Funding maturities

Comfortable maturity profile

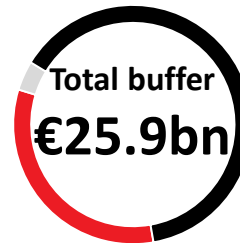
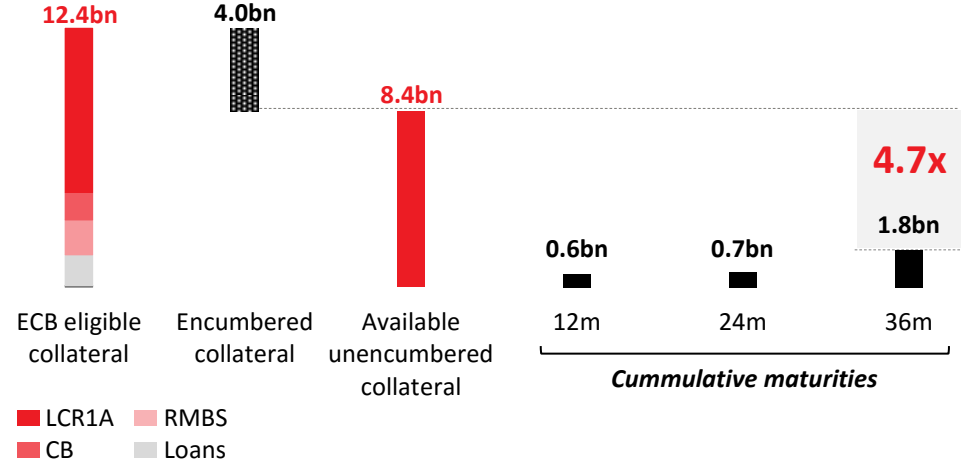
Not significant maturities in the coming years.

Large ECB eligible liquidity cushion to bear potential capital market shutdowns.

Additionally, the Group has a substantial spare capacity to generate new collateral.

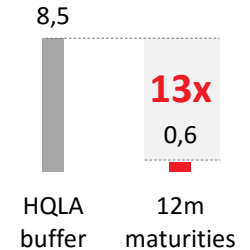


Liquid asset buffer vs maturities



- ECB eligible¹
- Equity stakes²
- New collateral

Liquid buffer under LCR metrics



¹ ECB eligible collateral value is haircut deducted.

² Only listed AFS equity stakes.

Recap 1Q19

Solid performance

Giving continuity to the recent years trend, Net Interest income rests on positive ground, while the Group's Asset Manager and Insurance companies continue growing.

Good dynamics

Positive tone of the activity in all fronts helps to compensate the adverse effects of negative rates. Income from pure banking business acquires more and more relevance, giving strength to the increase in profits.

Improving efficiency

Progressing on Innovation and Digital solutions where benefits are already visible. Although cost containing policy is still fully operational to offset historically low rates, savings are not expected to continue at the recent pace.

Financial strength

Kb's Asset quality keeps improving certifying the lowest risk profile of the domestic sector according to the SREP decision for 2019. Liquidity position remains healthy and comfortable.

Net income

106.4

+5.2% YoY

ROE

6.41%

+21bp YoY

NPL

3.63%

-117bp YoY

Appendix: Glossary

Term	Definition
Average total assets (ATA)	Moving average of the last five quarters observations of the "Total assets" heading between the end of the previous year and the reference period (the values of the initial and final observations weigh 50%).
Basic margin	Includes the heading of Interest Margin, Fee and commission incomes and Fee and commission expenses.
Basic margin/ Operating expenses	Ratio of: (Numerator) Basic margin; (Denominator) General expenses and Depreciation and amortisation .
CAGR	Compound Annual Growth Rate.
Client margin	Difference between Customer loans yield and Customer Deposits cost.
Coverage ratio	Ratio of: (Numerator) Total value adjustments for impairment of assets under Customer loans and advances and Contingent risks, Deposits of credit institutions and Debt Securities and Provisions for commitments and guarantees granted; (Denominator) Total gross doubtful assets corresponding to these same headings.
Customer funds	It is the sum of the following items: Customer deposits, Debt securities issued, Subordinated liabilities, off-balance sheet items managed by the group and off-balance sheet items sold by the group.
IFRS	International Financial Reporting Standards.
Net commissions/ ATA	Ratio of: (Numerator) annualized Net commissions; (Denominator) Average total assets .
Non performing loans ratio (NPL)	Ratio of: (Numerator) Doubtful + Contigent risks; (Denominator) Lending + Contigent risks.
NPL ratio exRED	NPL ratio excluding exposures to the RED sector. Ratio of: (Numerator) Total gross doubtful assets under "Customer loans and advances" excluding those relating to real estate development segment; (Denominator) Total of the "Gross Customer loans and advances" excluding those relating to real estate development segment.

Appendix: Glossary

Term	Definition
Performing Customer loans	Customer loans excluding doubtful loans.
Pre-provisioning profit	It is the difference between Gross margin and General expenditures and amortisations.
ROA (Return on assets)	Ratio of: (Numerator) Profit attributable to the Parent company; (Denominator) Average total assets - moving average of the last four quarters -.
ROE (Return on equity)	Ratio of: (Numerator) Profit attributable to the Parent company; (Denominator) Average equity - moving average of the last four quarters -.
ROTE (Return on tangible equity)	Ratio of: (Numerator) Profit attributable to the Parent company (last four quarters); (Denominator) Average tangible Equity - moving average of the last four quarters-.

Contacts

Kutxabank's Investor Relations Team
investor.relations@kutxabank.es
T. +34 943 001271/1233
www.kutxabank.com

10 Portuetxe,
20018, Donostia-San Sebastian
(Spain)

