



kutxabank

1H2019 Results presentation

24th July 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 leads to a solid performance

Positive commercial momentum in an environment of greater uncertainty

Intense activity in all segments and products

Resilient Banking business performance

NII improvement
Commissions growth
Costs stability

Asset quality improvement continues

Performing lending

+0.8%

YoY

NII+Fees+Ins.

+2.1%

YoY

NPLs reduction

€155Mn

in 1H19

Customer funds

+4.6%

YoY

General expenditures

-0.1%

YoY

NPL ratio

▼111bp

YoY

Positive dynamics of the business leads to a solid performance

Net income	197.3	187.8	+5.0%
(Amounts in million of Euros)	1H19	1H18	YoY

Basic Margin ¹ /Op. Exp.	1.45%	1.44%	+1bp
-------------------------------------	-------	-------	------

ROA
0.58%
+2bp YoY

Outperforming Spanish sector av.

Kb's ROA ranks at the top of the table in the domestic sector²

ROE
6.43%
+17bp YoY

Good performance

ROE stands in line with sector² average despite Kb's large capitalisation

ROTE
6.90%
+17bp YoY

Improving QoQ

Reducing the differences with the sector² average

¹ NII+Fees vs Operating expenditures of the last 12 months.

² Sector average comprises the:12 Spanish banks under direct supervision of the SSM. Latest available public information. Only business in Spain form BBVA, Santander and B. Sabadell. Data as of March 2019.

Positive dynamics of the business leads to a solid performance

Intense commercial activity

The positive tone of new lending continues, with Retail loan book experiencing a positive evolution in 1H19 which helps to sustain overall volumes.

Kutxabank has further improved its market share in household financing needs well beyond its network share

New residential mortgages	New consumer loans	SMEs external trade	Working capital financing
€1,659Mn	€268Mn	+3.6%	+4.1%
in 1H19	in 1H19	YoY	YoY
+24.8% YoY	+13.3% YoY		

Market share performance¹ in new mortgages

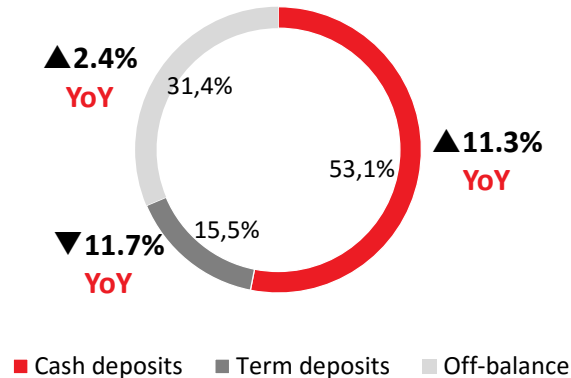
Basque Country	Andalusia	All across Spain
43.4%	12.4%	7.2%
vs 26.7%	vs 7.5%	vs 4.0%
in branches	in branches	in branches

Positive dynamics of the business leads to a solid performance

Intense 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
+5.1%
YoY

Ins contribution through OOI¹
+10.7%
YoY

Positive dynamics of the business leads to a solid performance

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

Improvements in Mobile Banking transfers

Next receipts forecast

Specific SME solutions: online documentary credit, Mobile Banking transfers, international transfers in €

Bizum in electronic commerce, Apple Pay and Samsung Pay

Personalized offer in mortgages and housing valuation service

The collage features several overlapping images:

- Seguros: teléfonos asistencia**: A mobile app screen showing emergency phone numbers for Home (902 210 368), Auto (900 101 369), and Decesos (902 540 136).
- MIS RECIBOS**: A mobile app screen displaying a bar chart for November 2018 with a total of 46,64€ and a list of receipts including 'PROP. APARCAMIENTO T CLUB' (46,64 €) and 'TAMIENTO DE NGO' (80,22 €).
- Google My Business**: A desktop interface for managing a business profile, including options to publish posts and manage reviews.
- Kutxabank con Apple Pay**: A promotional graphic showing a hand holding a smartphone with the Apple Pay interface, accompanied by the text 'Pronto descubrirás lo fácil que es pagar con la tarjeta EURO 6000 de Kutxabank usando Apple Pay.'
- Tu tarjeta Kutxabank se pasa al móvil**: A promotional graphic showing a hand holding a smartphone with the Samsung Pay interface, with the text 'SAMSUNG pay | kutxabank'.

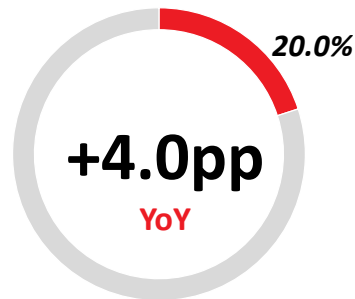
Positive dynamics of the business leads to a solid performance

Innovation and digital solutions

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

Digital leads in mortgages

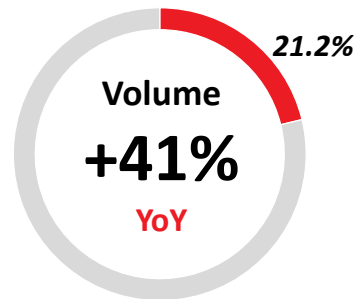
% of new mortgages following digital leads outside Home regions



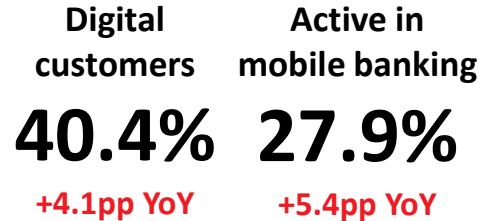
■ Digital leads ■ Others

Consumer loans

% of new consumer loans through digital channels



■ Digital channels ■ Others



Digital sales

+86%
YoY

P&L summary

Million of Euros	1H19	1H19vs1H18
Net interest income	282.1	2.0%
Net commissions	193.3	-0.1%
Basic margin	475.4	1.2%
Income from equity instr.&equity method	33.0	-20.3%
Trading income	6.1	2.9%
Other operating income	45,7	-15.9%
Gross margin	560.3	-2.0%
General expenditures	-300.0	-0.1%
Amortisations&Depreciations	-26.8	1.8%
Pre-provisioning profit	233.5	-4.7%
Provisions	-123.2	17.0%
Other income	106.5	9.2%
Tax and others	-19.6	-60.4%
Net income	197.3	5.0%

+5.0%, in line with internal targets

Robust performance of the pure banking business (+2.1%), supported by the positive evolution of the NII (+2.0%) and the increasing contribution of the Insurance business through OOI¹(+10.7%).

Despite low needs for impairments, Kutxabank continues to reinforce provisions.

Top line performance

Net interest income (NII)

Slightly positive

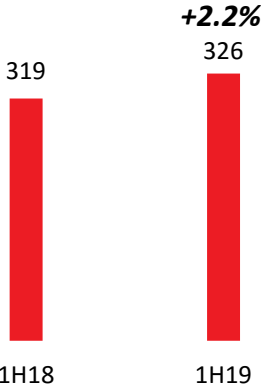
Positive trend of the Net interest income.

NII growths supported by increasing loan volumes and sustained margins.

Interest rates scenario has changed and is expected to remain negative for an extended period of time.

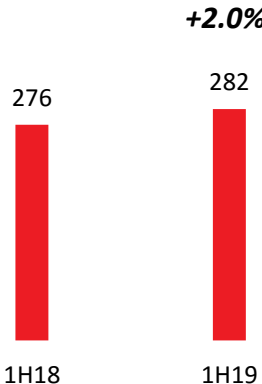
Interest income

YoY evolution Million of Euros



Net interest income

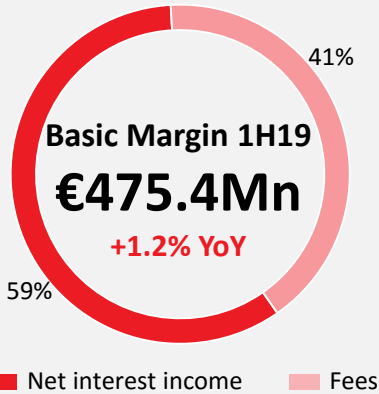
Million of Euros



Top line performance

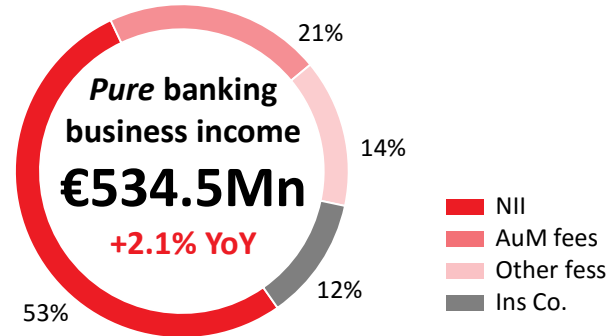
Basic margin (NII+Fees)

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



Top line performance

Basic margin (NII+Fees)

Strong and reliable core income base



P&L contribution

€72Mn

+8.3% YoY



1st AuM

by investment funds
taking in June and 2nd
in 1H19

Market share

Investment funds

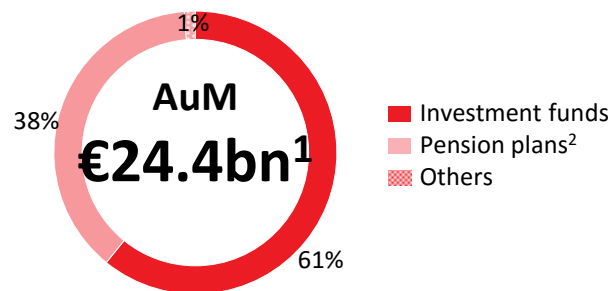
5.6%

All across Spain

Pension plans²

46.4%

In the Basque
Country



¹ Data as of March 2019.

² Pension plan include c.€8bn of a specific pension product under Basque law. Data as of March 2019.

Top line performance

Fees

Stabilised strong contribution of Commissions to Basic margin

Universal banking through a commercial network with specialists who provide value-added services to customers.

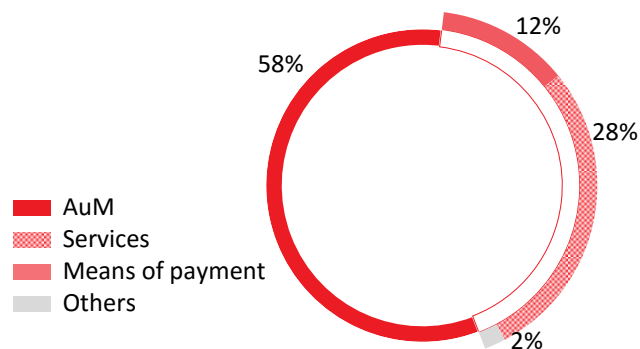
The structure of specialised business units around the commercial network place Kb at the top of the sector in fees' productivity.

**Net commissions
to TA**

0.63%

vs 0.59% sector av.¹

Fees breakdown



Costs

Operating expenditures

Costs perform flattish after years of a strict cost containment policy

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

Savings
CAGR¹

4.8%

Last 6yr

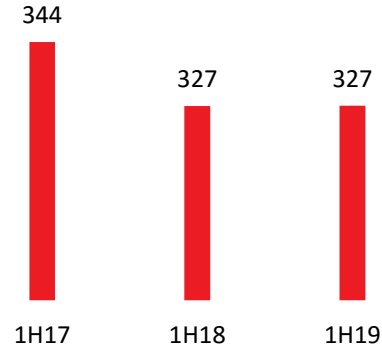
Basic margin
to Op. exp.²

1.45x

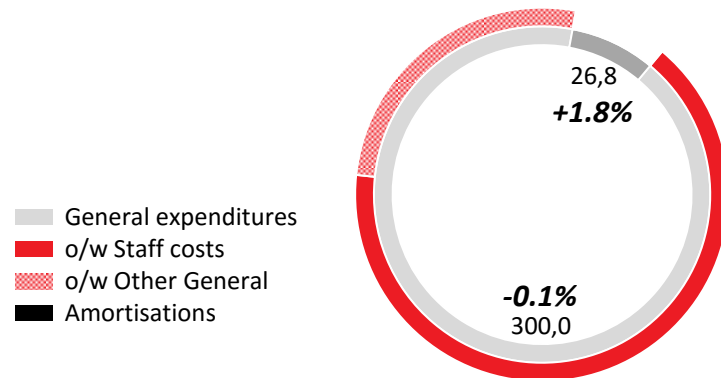
Last 12m

Working on efficiency in spite of the pressured margins.

Operating expenses YoY evolution (million of Euros)



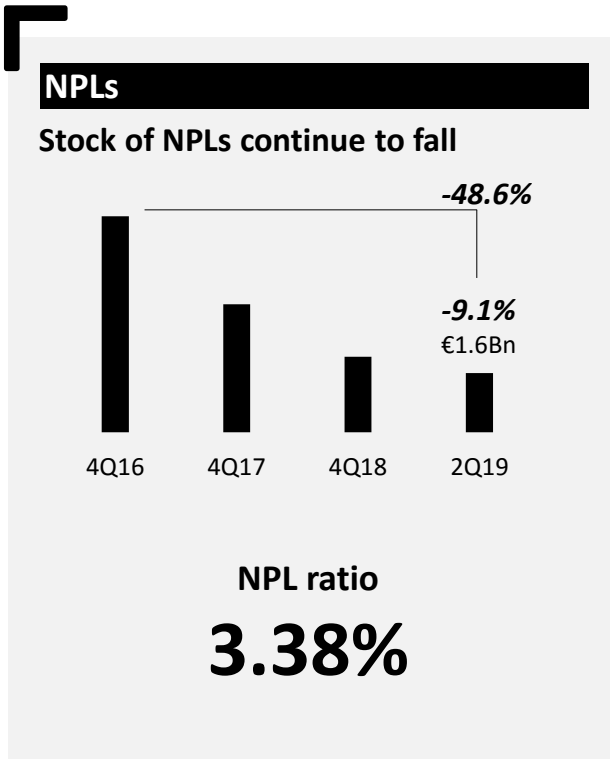
Operating expenses breakdown



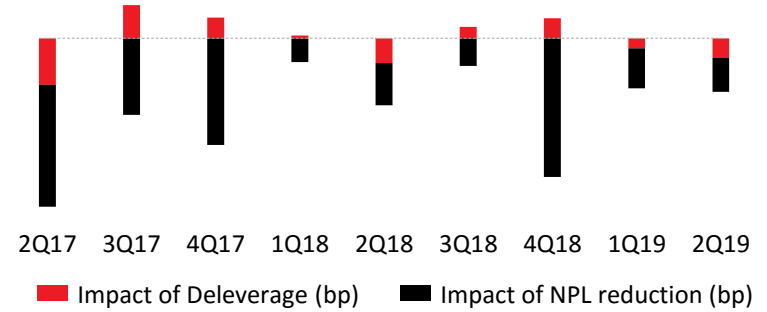
¹ Constant Average Growth Rate of General expenditures in the last 6 years.

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

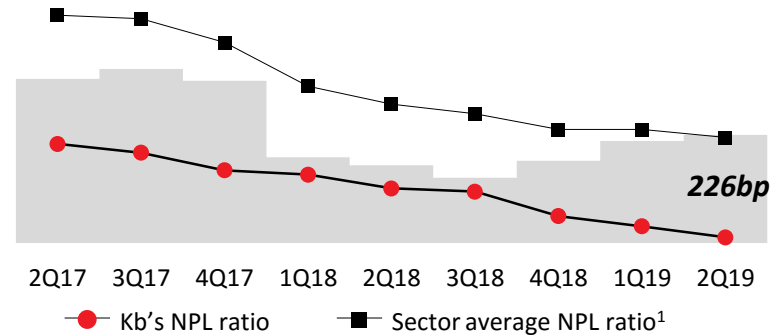
Cost of risk



NPL evolution breakdown



NPL evolution vs sector



¹ Source: Bank of Spain.

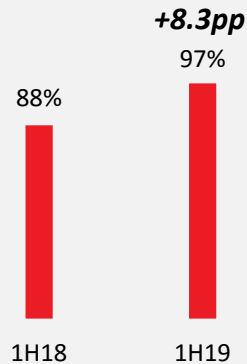
Profitability

Bottom line margins

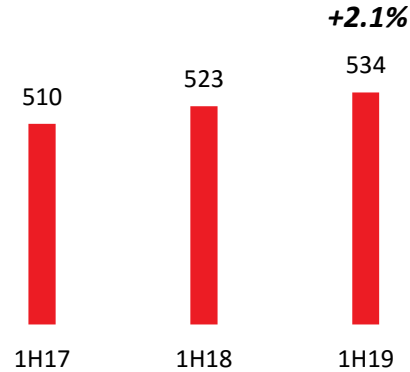
Consistent growth through a diversified structure.

Pure banking business keeps growing despite negative interest rates

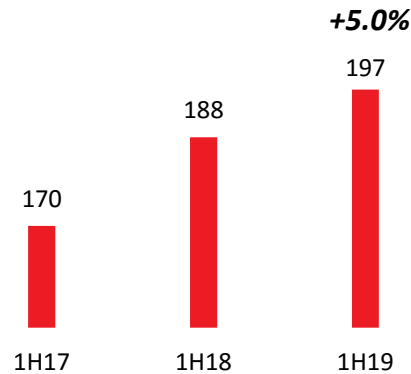
Banking business¹ o/Gross margin



Pure Banking business income (million of Euros)



Net income evolution (million of Euros)

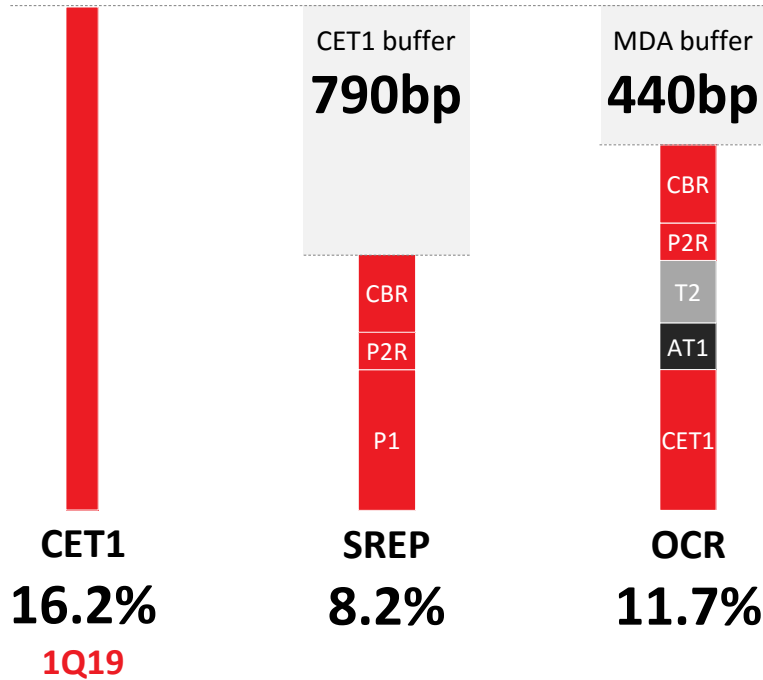


¹ Banking business comprises NII+Fees+Insurance business contribution via OOI.

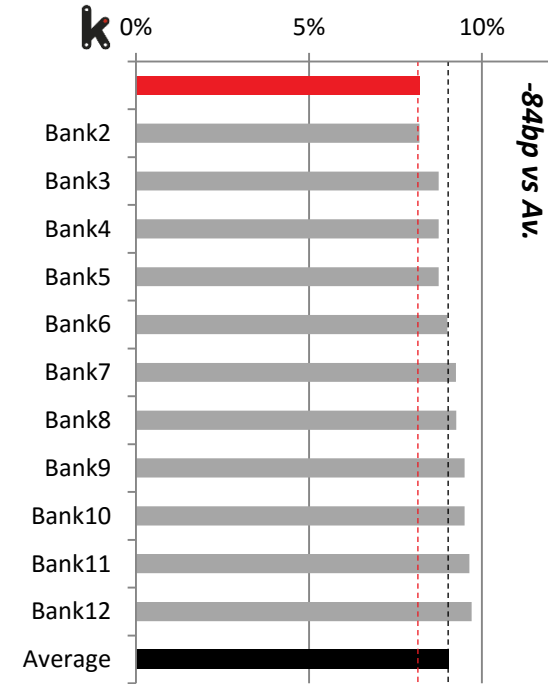
Solvency

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

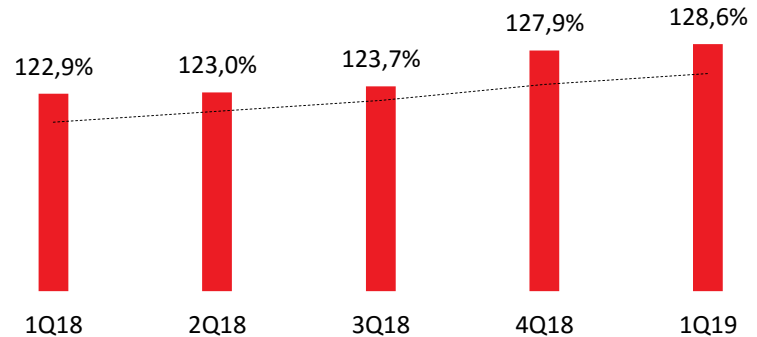
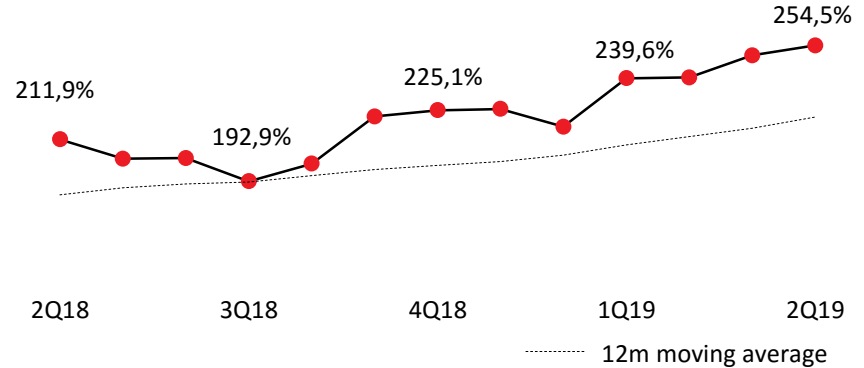
Kb has a solid liquidity position thanks to large-high quality liquid asset buffer and a well diversified funding structure supported by a broad, granular and stable retail deposit base.

LCR
254.5%
2Q19

222.1%
Last 12m av.

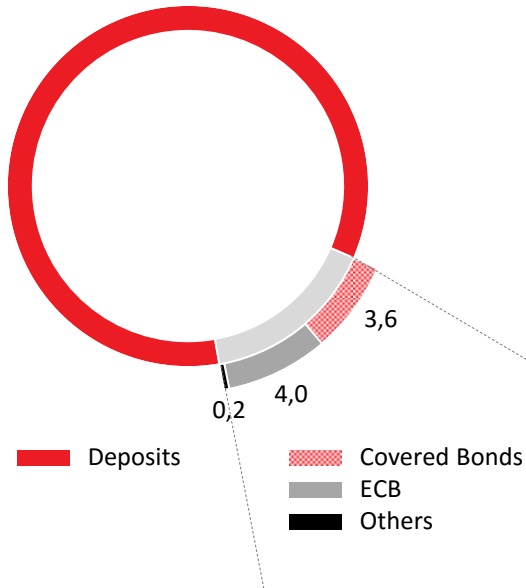
NSFR
128.6%
1Q19

125.2%
Last 12m av.



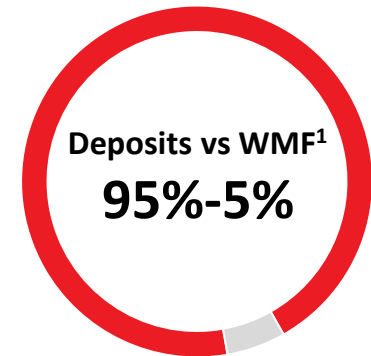
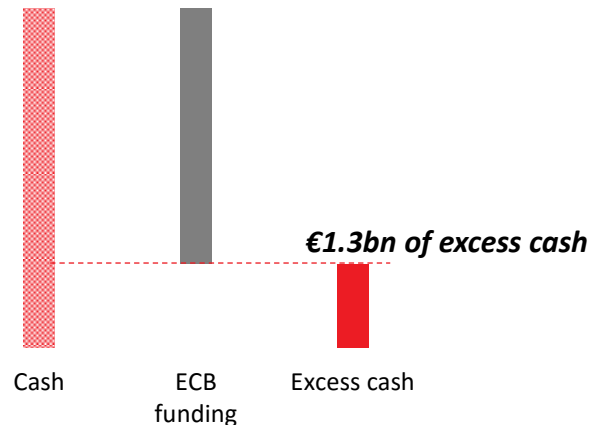
Current Liquidity & Funding position

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

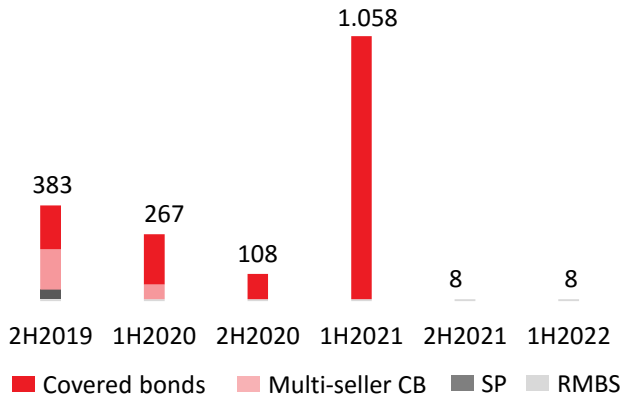
Funding maturities

Comfortable maturity profile

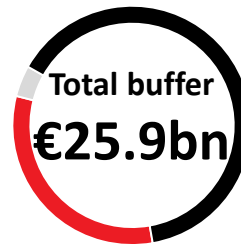
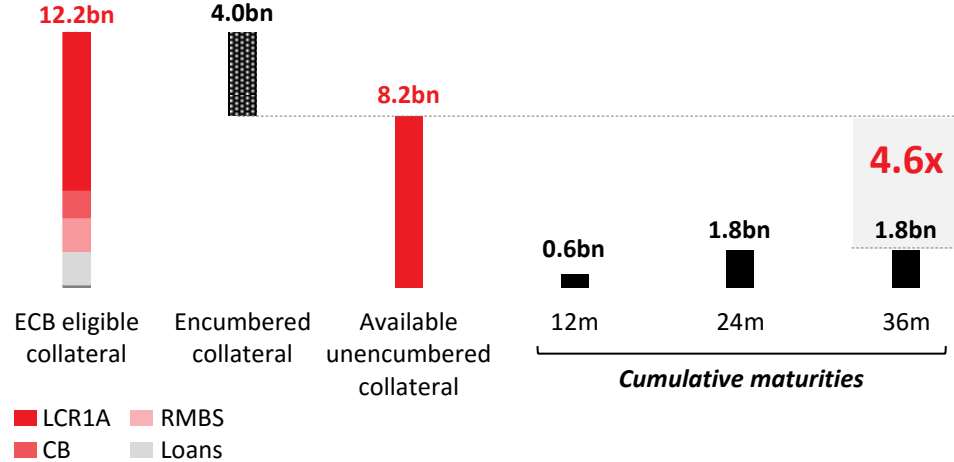
Not significant maturities in the coming years.

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

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

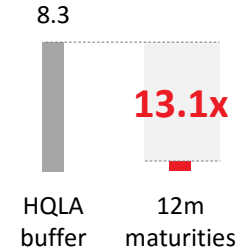


Liquid asset buffer vs maturities



- 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 1H19

**Solid
performance**

Giving continuity to Kb's capacity to adapt to the coming trends, Net Interest income rests on positive ground, while the Group's Asset Manager and Insurance companies continue growing.

**Good
dynamics**

Intense activity in all fronts. Retail loan book evolution helps sustain overall lending volumes and Customer funds grow with an important contribution of the Group Asset Manager and Insurance companies.

**Improving
efficiency**

Progressing on Innovation and Digital solutions where benefits are already visible. Costs perform flattish after years of strong cost reductions to offset historically low rates pushing efficiency on right direction.

**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
€197.3Mn
+5.0% YoY

ROE
6.43%
+17bp YoY

NPL
3.38%
-111bp 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.
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 + Contingent risks; (Denominator) Lending + Contingent risks.
Performing Customer loans	Customer loans excluding doubtful loans.
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)

