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2024 Q1 Results presentation

25th April 2024

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Executive **summary**
1Q24 Results

CORE REVENUES	Net interest income (NII)	EUR345mn +2.8% QoQ	• **NII was 3% higher QoQ (+47% YoY)** reflecting the successful balance sheet management, benefiting from an optimal positioning for rate increases and cost control on the liability. The change in central banks' rate cut expectations vs 2023 year-end points to a more sustained evolution of the Euribor throughout the year.
	Income from services	EUR160mn +7.5% YoY	• **Fees and commissions also showed a positive evolution (+8% YoY)**, underpinned by the positive contribution of the asset management business.
BALANCE SHEET	Customer funds	EUR50.4bn +4.0% YoY	• Customer funds continue to increase driven by growth in off-balance volumes while on-balance deposits are also increasing.
	Customer loans	EUR46.5mn +0.7% YoY	• Performing loan book growths +0.7% with strong increases in Corporates and Public sector. Remarkable performance of Consumer lending, with Point of sale financing up nearly 37%.
ASSET QUALITY	NPL	1.39%	• Cost of risk remains at very low levels keeping the best relative position in asset quality metrics
	Cost of credit risk	6bp	
ESG	New sustainable financing	EUR930mn +57.4% YoY	• Expanding our positive environmental and social impact far exceeding internal guidance.

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Financial performance
Highlights

Income statement

Core revenue up 32% YoY
NII continues to increase both on a YoY basis and versus last quarter, while the performance of service revenues has also been positive

Cost increase below budget
With labor costs and amortisations as main drivers

Cost of risk remain subdued
Required impairments on the loan portfolio are insignificant. However, the bank will continue to apply a demanding level of provisions throughout the year

Net interest income
+47%
YoY

Net attributable income
+8%
YoY

RoOCR[(1)]
RoTE
14.8%
9.4%

Balance sheet

Customer funds
Deposits volume show an upward trend over the last few years so far. Adding off-balance funds managed by the Group, the growth was remarkable

Loan book
Prepayment rates in the mortgage portfolio have already begun to ease

Asset quality
NPL dynamics remain virtually unchanged.

Customer deposits
+4.0%
YoY

Customer deposits
+2.2%
QoQ

Perfoming loan book
+0.7%
YoY

(1) RoOCR: Return on Overall Capital Requirement. The result of dividing the Net attributable income by the own funds needed to cover the overall capital requirement (OCR)

Financial performance
1Q24 results summary

1Q24
Net income

EUR**120**mn
+8.5%
YoY

(EUR million)	1Q24	1Q24-1Q23
Net interest income	344.9	46.9%
Net Fees+Ins. business	159.7	7.5%
Core revenues	**504.6**	**31.7%**
Equity method&Dividends&TI	30.4	-23.6%
Other operating income (OOI)	-82.7	46.5%
Gross margin	**452.4**	**23.4%**
Operating expenses	-170.1	8.5%
Pre-provisioning profit	**282.2**	**34.5%**
Provisions	-96.6	75.0%
Other income	2.8	-27.6%
Tax and others	-68.4	43.0%
Net income	**120.0**	**8.5%**

Core revenues continued to grow strongly (+32% YoY), supported by the positive development of net interest income which has not yet reached its peak and the effective management of liability costs**.** Fees and commissions grew by 8%, underpinned by fees from AUM and Insurance business

Includes the payment of the bank tax (second year)

Pre-provisioning profit was up 34% YoY well above internal guidance

The Group will maintain a high level of prudent provisioning thoughout the year

Financial performance
Top-line results

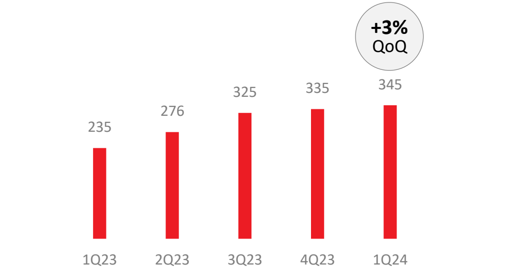
Net interest income (NII)

EUR**345**mn
+46.9%
YoY

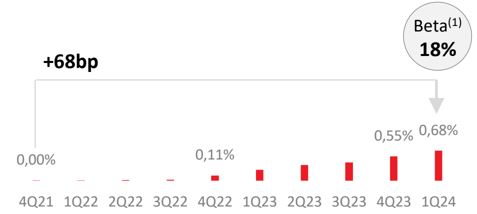
Highlights

- Strong net interest income growth driven by sustained loan book contribution and controlled cost of liabilities
- Loan book yield has increased by 3.5x since 4Q21, with an absolute variation of 251bp over the same period. Beta analysis on the deposit side also shows that appreciation of deposit rates has been very limited.

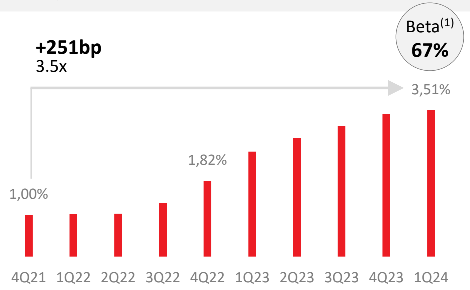
NII QoQ evolution (EUR million)



Deposit yield QoQ evolution



Loan book yield QoQ evolution



Customer spread
283bp
1Q24

NII sensitivity (annual):
10bp movement in interest rates
EUR**8-10**mn

(1) Calculated as the ratio of the difference between the increase in the loan/deposit yield in the observation period vs the Eur12m at the end of that period.

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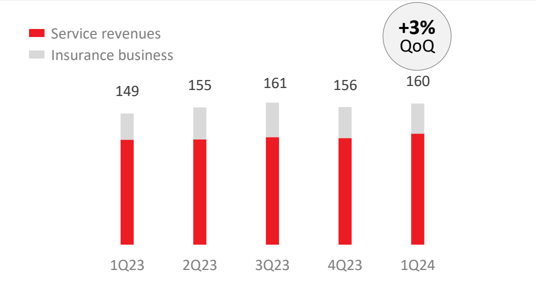
Financial performance

Top-line results

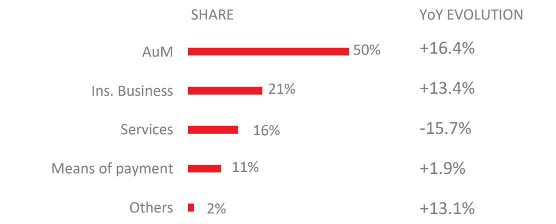
Income from services & Insurance business

EUR**160**mn
+7.5%
YoY

Total Services revenues QoQ evolution (EUR million)



Total Services revenues distribution



Highlights

- Income from services & Insurance business increased mainly leveraged on AuM, which already accounts for 50% of total Services revenues.
- The Group's Insurance business continues to contribute with stable and recurring revenues, which increased by 13.4% compared to last year.

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- Good commercial performance enables the insurance business to continue to provide stable and recurring revenues
- High commercial activity with an increase of 4.2% in the number of policies sold compared to last year

Home **+180%**

Auto[1] **+8%**

Home[2] **+9%**

[1] Budget compliance.
[2] Home insurance turnover.

Financial performance
Top-line results

Off-balance resources

Savings and investments.
A management model based on a long-term vision, with deeply rooted principles such as prudence, diversification and Sustainability

kutxabank gestión

Fineco

Investment net fund-takings

EUR**0.7**bn
1Q24

#3 by net fund -takings 1Q24

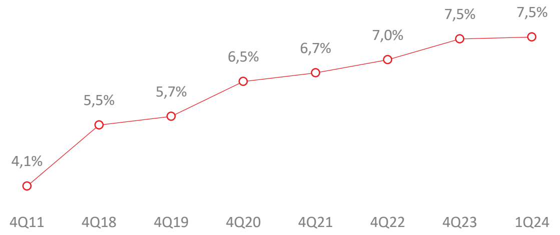
10% of total net fundraising of Spanish market

#4 by AuM in Spain 1Q24

#3 largest AM in profitability 1Q24

Investment funds market share[(1)]

+18pb YoY



Pension plans market share

48%
1Q24

75% of sales through digital channels

[(1)] Market share in investment funds all across Spain for Kutxabank Gestión and Fineco, Kb's private banking specialised unit. Source: Inverco.

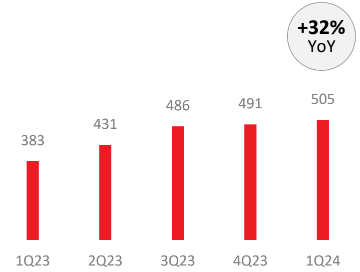
Financial performance

Top-line results

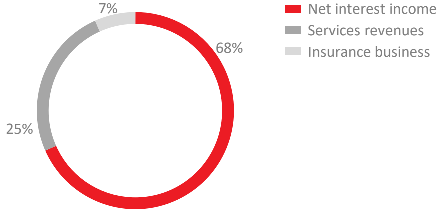
Core revenues

EUR**505**mn
+31.7%
YoY

Core banking income QoQ evolution (EUR million)



Income source diversification (1Q24)



Highlights

- Banking business net revenues were significantly higher YoY reflecting the increase in Net interest income while Service revenues continue to be a solid and reliable source of income.
- The revenue diversification structure of the banking business continues to provide stability and soundness to the Group's results.

Financial performance
Other Income and Expenses

Equity method & Dividends

EUR**26**mn
1Q24

Other operating income (OOI)

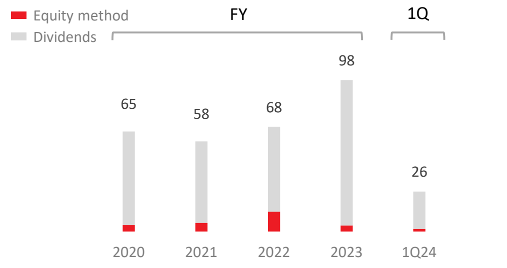
EUR-**83**mn
1Q24

Including the register of EUR 71.8 million of the banking tax

Pro-forma P&L summary *ex*Banking tax

(EUR million)	1Q24	1Q24 *Pro-forma*
Core revenues	505	N/A
Gross margin	452	524
Pre-provisioning profit	282	354
Net income	120	>190

Revenues from the equity portfolio (EUR million)



New banking tax

- 4.8% on interest and commissions amount
- Aggregate impact of c.EUR120Mn (2023-2024). The application of the tax is likely to be extended beyond the two years initially set

47mn 2023

72mn 2024

- Kb has filed an appeal against the order that develops the new bank levy

Efficiency Ratio[1]

36.8%
1Q24

[1] The efficiency ratio would improve up to 35.4% excluding the Banking tax.

Financial performance
Costs

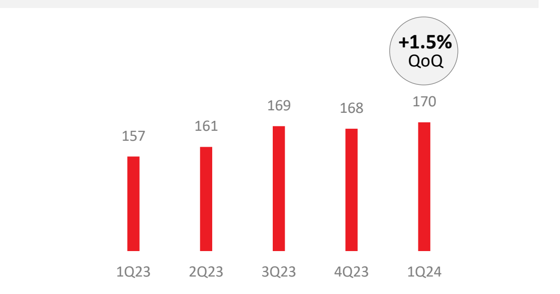
Operating expenses

EUR**170**mn
+8.5%
YoY

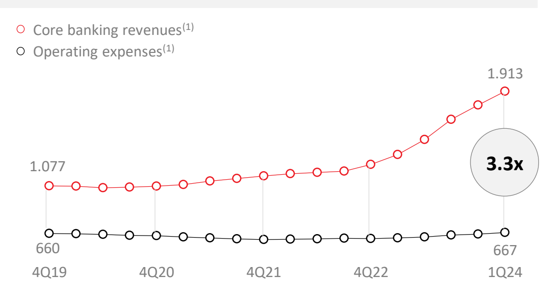
Highlights

- Administrative expenses were EUR160.1mn, up 8.8% YoY. Increases in labor costs were the main drivers.
- Pure banking business margin (difference between Core banking revenues and Operating expenses) has more than tripled in the last 3 years.

Operating costs QoQ evolution (EUR million)



Core banking revenues vs Operating expenses (EUR million)



[(1)] Revenues and expenses for each period are calculated as the moving sum of the last four quarters.

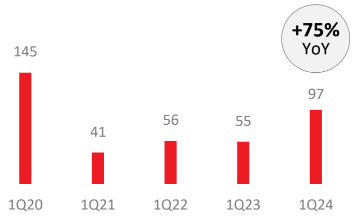
Financial performance

Costs

Credit risk impairments and other provisions

EUR**97**mn
+75.0%
YoY

Total provisions & impairments YoY evolution (EUR million)



Total provisions & impairments in detail (EUR million)

	FY23
Credit risk	12.3
Other provisions&cont.	70.4
Impairments on RE assets	14.0
TOTAL provisions	**96.6**

CoCR
6bp

Highlights

- A significant level of provisioning effort is maintained in the face of geopolitical risk and macroeconomic uncertainties, even though there are still no signs of deterioration.
- Most of the provisions allocated to "other provisions and contingencies" are intended to cover the risk arising from potential claims for mortgage expenses that in the past were paid by the borrower.

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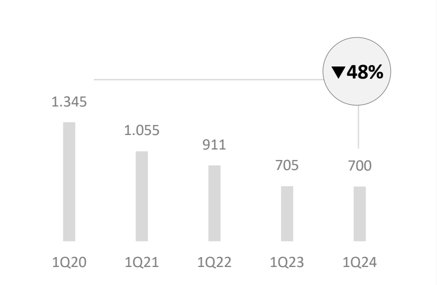
Asset quality

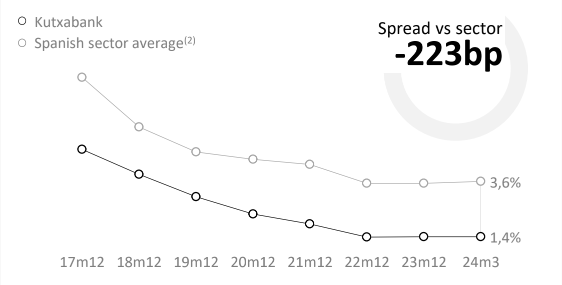
Stock of doubtful loans remains fairly stable

Despite the challenging context there are **no major signs of deterioration or trend change in any business segment**[1]

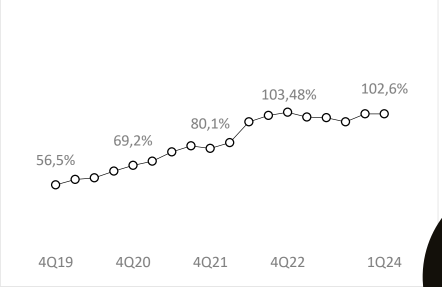
Stock of NPL[1] YoY evolution (EUR million)



Kutxabank relative position: NPL ratio (%)



NPL Coverage level evolution



Total coverage including prudential provisioning of NPE according to ECB calendar

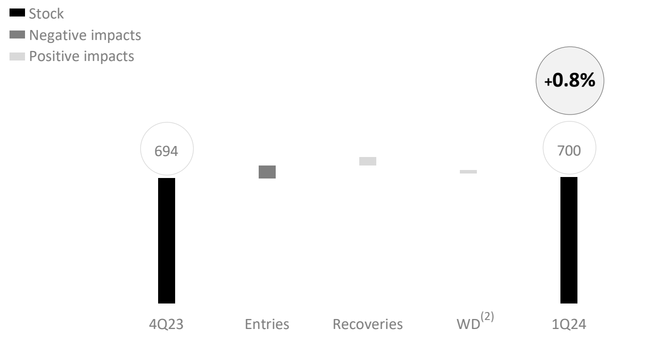
119.9%

[1] Doubtful loan stock includes contingent risks.
[2] Source: BoS.

Asset **quality**

Stock of doubtful loans remains fairly stable

Doubtful-loan stock[1] evolution in 2023 (EUR million)



Risk migration: 1Q24 vs 4Q23

Loans and advances by segments and stages

	T				T vs T-1			
	S1	S2	S3	Cov	S1	S2	S3	Cov
Households	93%	5%	1%	74%	0.1%	-0.1%	0.0%	-2%
Non-FIN Corporates	90%	8%	3%	145%	-0.1%	0.2%	0.0%	+7%
o/w SME	*76%*	*17%*	*7%*	*107%*	*-1.3%*	*1.3%*	*0.0%*	*-1%*
Public sector	100%	0%	0%	ns	0.0%	0.0%	0.0%	-
FIN Corporates	100%	0%	0%	ns	-0.1%	0.1%	0.0%	-

[1] Doubtful loan stock includes contingent risks. Contingent risks were down EUR0.8 million in the year.
[2] WD: Write-downs.

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Capital & Funding
Liquidity risk management

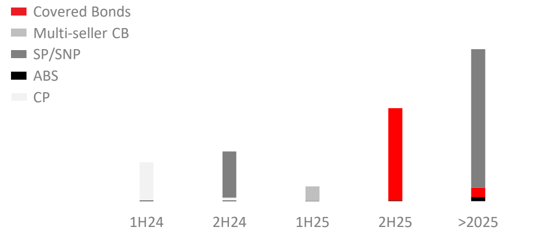
TLTRO repayments

- The amounts have already been repaid in full.

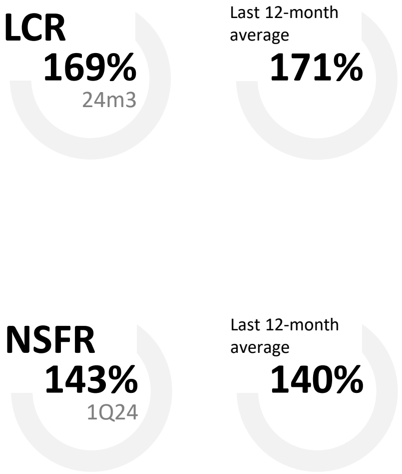
TLTRO maturity calendar

	Repayment date	Amount (EUR bn)	Status
TLTRO III.3 (03/2020)	03/2023	0.6	Repaid
TLTRO III.4 (06/2020)	06/2023	4.9	Repaid
TLTRO III.7 (03/2021)	03/2024	0.6	Repaid

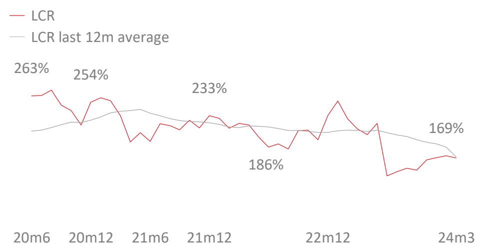
Capital market funding maturity profile (EUR million)



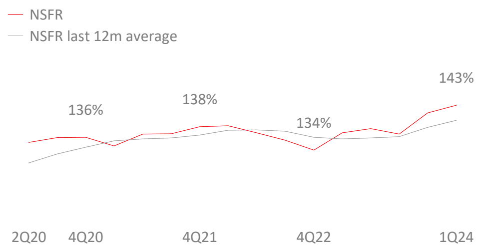
Regulatory liquidity ratios



LCR% evolution



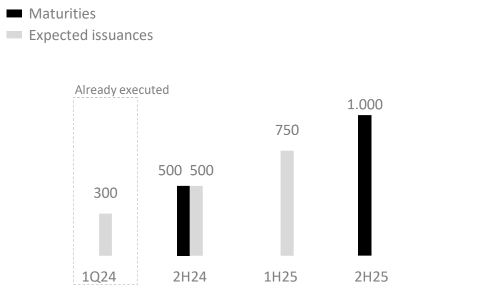
NSFR% evolution



Capital & Funding
Funding plan

- Financial plans for the next two years will focus on existing debt maturities (c.EUR1bn per year) while monitoring the evolution of the MREL-management buffer.
- Current expectation for the commercial gap points toward a moderately positive liquidity contribution.
- Resulting funding needs will be covered predominantly by covered bonds. 1 or 2 benchmark transactions per year in the coming might be expected, market dependent.

Debt maturities vs new issuances



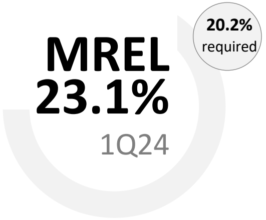
Outstanding bail-inable debt instrument (1Q24)

ISIN code	Format	Amount (EUR bn)	Maturity date	Call date	MREL eligibility loss
ES0343307015	SNP	0.5	09/2024	-	09/2023
ES0243307016	SNP	0.5	10/2027	10/2026	10/2026
ES0343307023	SP	0.5	02/2028	02/2027	02/2027
ES0343307031	SNP	0.5	06/2027	06/2026	06/2026

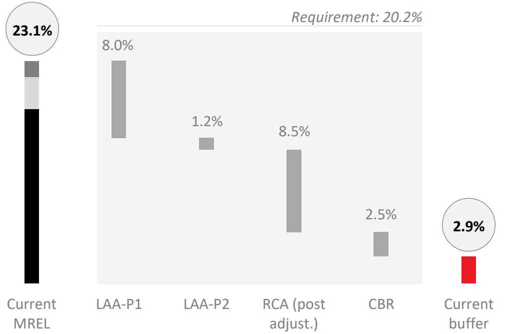
Outstanding tradeable covered bonds (1Q24)

ISIN code	Format	Amount (EUR bn)	Maturity date	LCR status	European Premium
ES0443307063	Bullet	1.0	09/2025	L1B	✓
ES0443307022	Bullet	0.1	12/2026	N/A	✓

Capital & Funding
MREL position



MREL: current position vs requirement



	Amount (EUR million)	% o/TREA
Current position	6,971	23.1%
o/w CET1	*5,471*	*18.1%*
o/w SNP	*1,000*	*3.3%*
o/w SP	*500*	*1.7%*
Loss Absorption Amount	2,778	9.2%
Recapitalisation Amount	2,778	9.2%
RCA post adjustments	2,570	8.5%
2022 MREL target	5,764	19.1%
2024 MREL target	6,102	20.2%
Current excess vs target	868	2.9%

MREL strategy

- The Group will keep working on designing a MREL-management buffer consistent with its business model and risk profile which will involve raising the MREL to a certain level above the regulatory requirement.
- Although no subordination requirement applies, in the building blocks of MREL Kutxabank will seek to maintain at all times a level of subordination sufficient to provide the necessary support for the quality of the risk currently assumed by bondholders and depositors. The excess might be filled with senior preferred.

Capital & Funding
Another step further forward

Highlights

- After deducting the 60% pay-out, retained earnings contribute +16bp year-to-date.
- Decrease in deductions coming from Prudential provisioning after relevant efforts made in accounting to provision these assets and the favorable evolution of some deductions added an extra 10bps.
- Valuation adjustments together with the RWA slight inflation and IFRS9 phased-out were the main impacts absorbed during the quarter.

CET1 Phased-in
18.12%
1Q24

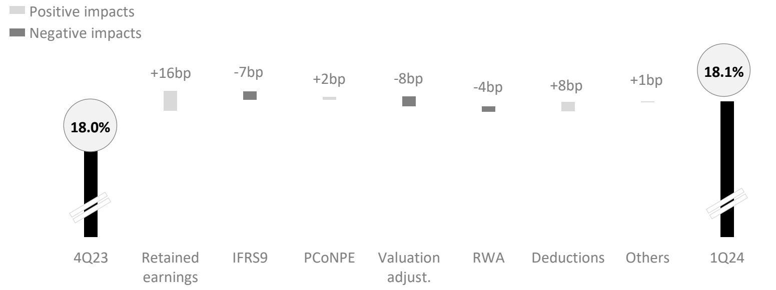
Fully-loaded CET1 ratio
18.06%
1Q24
+15bp YtD

RWA calculation method: STANDARD
100%

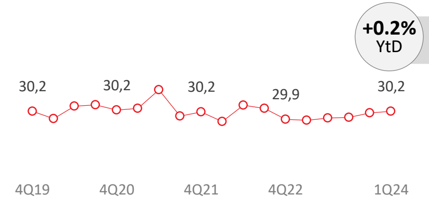
Main impacts on capital (Phased-in; EUR mn)

	Impact vs4Q23	Impact (bp) vs4Q23	
Valuation adjustments	24	8	▼
IFRS9	20	7	▼
Prudential provisions	7	2	▲
Deductions	23	8	▲
Risk-weighted assets	67	4	▼
Total earnings	120		
o/w retained	*48*	*16*	▲

CET1 phased-in 1Q24 evolution by components



RWA evolution (Phased-in; EUR billion)



the slight RWA inflation of 1Q24 reflects the growth experienced in the loan portfolio

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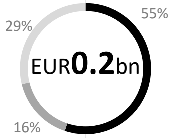
Annex
NPAs in detail

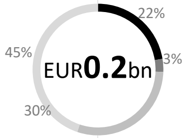
Floreclosed asset (FA) breakdown by origin (1Q24; EUR million)

	Gross	Provisions	Cov%	NAV
Developers	848.8	722.6	85.1%	126.6
Residential	93.8	57	60.8%	36.8
Others	92.7	26.7	28.8%	66
TOTAL	⬇1,035.3	⬆806.3	77.9%	⬇229.0



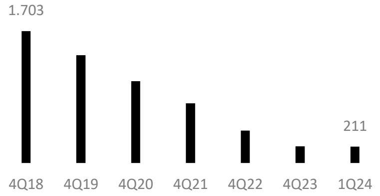
FA breakdown by type of asset (1Q24; EUR million)

	Gross	Provisions	Cov%	NAV
Finished properties	85.1	33.9	39.8%	51.3
Ongoing developments	71.2	64.0	89.8%	7.3
Land	692.5	624.8	90.2%	67.7
Others	186.4	83.7	44.9%	102.8
TOTAL	1,035.3	806.3	77.9%	229.0

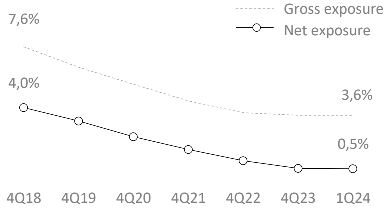


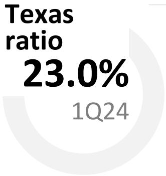
Total NPA: FA+NPL (4Q23; EUR million)

	Gross	Provisions	Cov%	NAV
Total NPLs	700.2	718.5	102.6%	0.0
Foreclosed assets	1,035.3	806.3	77.9%	229.0
TOTAL	1,735.5	1,524.7	87.9%	210.8



NPA% YoY evolution

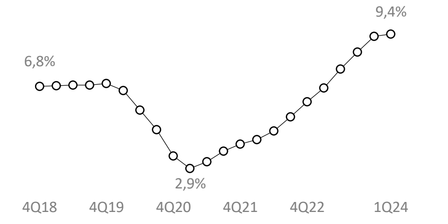




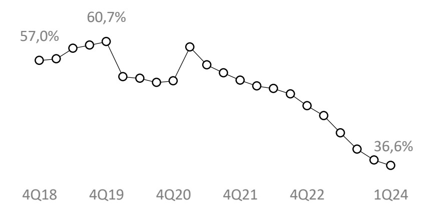
Annex
Key indicators

	1Q24	1Q23	1Q24 vs 1Q23	4Q23	1Q24 vs 4Q23
ROE	8.68%	6.28%	241 bp	8.58%	10 bp
ROTE	9.38%	6.76%	262 bp	9.26%	12 bp
ROA	0.81%	0.55%	26 bp	0.79%	2 bp
RORWA	1.73%	1.22%	52 bp	1.71%	3 bp
Cost to Income	36.62%	46.33%	-971 bp	37.66%	-104 bp
LCR	168.89%	213.18%	-20.8%	172.34%	-2.0%
NSFR	142.81%	137.14%	4.1%	141.22%	1.1%
LtD	92.85%	95.22%	-2.5%	94.66%	-1.9%
# of customers	2,317,371	2,338,888	-0.9%	2,320,082	-0.1%
# of employees	5,071	5,043	0.6%	5,053	0.4%
# of branches	677	701	-3.4%	685	-1.2%
# of ATMs	1,401	1,477	-5.1%	1,401	0.0%

ROTE% evolution



Cost to income% evolution



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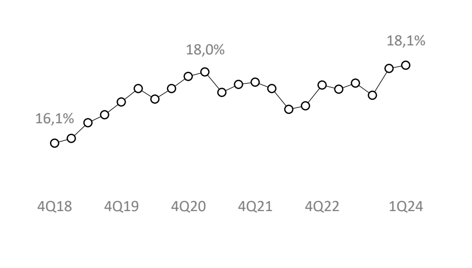
Annex
Solvency

	1Q24	1Q23	1Q24 vs 1Q23	3Q23	1Q24 vs 4Q23
Capital	2,060.0	2,060.0	0.0%	2,060.0	0.0%
Reserves	3,854.1	3,659.4	5.3%	3,667.1	5.1%
Retained earnings	48.0	44.3	8.5%	204.3	-76.5%
Prudential Coverage of NPE	-121.5	-163.9	-25.9%	-128.2	-5.2%
Minority interests	0.3	2.5	-89.5%	0.4	-27.4%
Valuation adjustments	489.0	461.4	6.0%	512.8	-4.6%
Intangible assets	-394.8	-374.4	5.4%	-419.8	-6.0%
Deductions	-464.6	-466.9	-0.5%	-462.4	0.5%
CET I capital	5,470.6	5,222.3	4.8%	5,434.2	0.7%
Tier I capital	5,470.6	5,222.3	4.8%	5,434.2	0.7%
Total capital	5,470.6	5,222.3	4.8%	5,434.2	0.7%
RWA	30,194.6	29,843.0	1.2%	30,127.2	0.2%
o/w Credit risk	27,447.6	27,447.6	0.0%	27,381.9	0.2%
CET I ratio	18.12%	17.50%	62 bp	18.04%	8 bp
Tier I ratio	18.12%	17.50%	62 bp	18.04%	8 bp
Total Capital ratio	18.12%	17.50%	62 bp	18.04%	8 bp
Leverage ratio	nd	7.62%	-	8.32%	-
Pro-forma: CET I ratio fully loaded	18.06%	17.45%	61 bp	17.91%	15 bp
Pro-forma: Total Capital fully loaded ratio	18.06%	17.45%	61 bp	17.91%	15 bp
Pro-forma: Leverage fully loaded ratio	nd	7.60%	-	8.27%	-
MREL	23.09%	22.53%	56 bp	23.02%	7 bp

CET1% evolution (Phased-in)



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