kutxabank

1Q2020 Results presentation

30th April 2020

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.

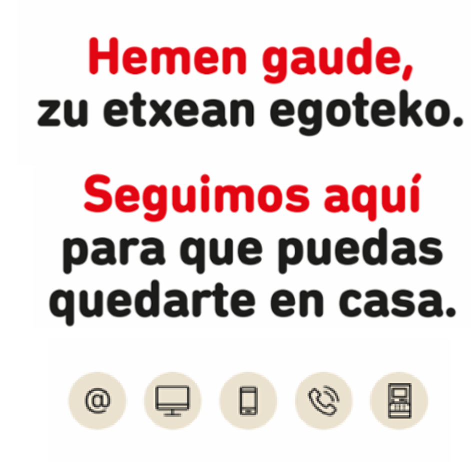
This Document has been furnished exclusively as information and it must not be disclosed, published or distributed without the prior written consent of Kutxabank. Any failure to observe this restriction may constitute a legal infraction which may be sanctioned by law.

Kutxabank's response to Covid-19

Ensuring continuity in all its business units
by **protecting the health of our employees, clients, suppliers and other stakeholders**

Group's financial strength allows it to focus all its efforts on managing this crisis by trying to respond to the needs of its customers

- Prudent and sustainable management
- Solvency as a key value to protect our customers



("We're here
so you can stay home")

Kutxabank's response to Covid-19

Employees

Remote access up to 3,500 concurrent users. Currently >3,000

Branch staff: **flexibility** and **mobility** by combining **teleworking** and **rotation** between branches

Central service staff: 85% teleworking plus reallocation in different locations

Reinforcement of **cleaning and security** services. Protocols in potential cases

Restrictions on travel and internal meetings

Paid leave for balancing family and working life

Customers

Branches: **70% open** & 25% performing backup activities (5% closed)

100% availability of ATMs commission-free

Encouraging the use of **digital channels**

Wall[1] **deployment** for more managers in order to reach a higher number of customers

Relief measures for vulnerable groups

Extension of limits for payments with contactless cards

Preapproved loans in favourable conditions

Community

Using **financial strength to support customers and areas of influence**

Undeniable and firm **commitment** of Kutxabank **to society**

€725 million pay-out over the last 5 years to banking foundations for the development of their **social work**

Rental payment cancelation in housing belonging to the **Social Fund** for people affected by the state of alarm

Reduction of the period of payment to **suppliers** to less than 15 days

kutxabank

[1] Wall: digital tool for the relationship between the manager and the client in which information and files can be exchanged with a higher level of security than by email. This tool was previously used with personal banking only and now extended to a greater number of managers.

Effects of Covid-19

It is too early to predict the extent of the impact.
Nonetheless, it is possible to identify and provide certain guidance on a number of potential risk factors impacting the business.

Cost of risk

Although there are no immediate defaults, the increase in PD will lead to an increase in provisions following the consequences of the economic lockdown on borrowers.
Very limited exposure to sectors most affected by the Covid-19 crisis.

Equity and Credit markets deterioration

Decrease on unrealised gains on the equity and FI portfolios will hardly affect P&L. They are absorbed by CET1 with an impact of less than 50bp so far. Market turbulence could also result in lower commissions due to the fall in AuM balances.

Volumes

Growth in loan balances, particularly in Corporates. Slower growth in new mortgages from March. The latest will be a major factor in 2Q and 3Q at least.
No inflation expected in RWAs from credit exposure.

Limited liquidity tensions

Mainly retail customer deposit base where no significant outflows are expected. Outflows, including credit lines drawdowns, could arise from SMEs and Corp working capital financing needs, and Public sector.

Expenses

Extraordinary expenses to address the contingency, although it will not be a game changer.

The Group is performing multiple projections and sensitivity analyses using different adverse scenarios and taking the different risk factors to unexpected extreme positions.

As demonstrated in the past in all supervisory stress tests, in light of these analyses and the bank's capital and liquidity buffers, **the Group is very well positioned to withstand this adverse scenario**.

kutxabank

Starting position

Outstanding **Financial** **strength**

Strong solvency

CET1	Leverage	MDA buffer
17.2%[1]	8.6%[1]	547bp[1,2]

Sound liquidity position

LCR	NSFR	ECB eligible buffer vs 3yr maturities
215.8%	130.5%	
226.7% Last 12m av.	128.9% Last 12m av.	5.3x

Low risk profile

Lowest P2R in the domestic sector

Ranking 6th all across Europe

NPL	Texas
<3%	41.7%

[1] Data as at 4Q19.
[2] Calculated as the difference between phased-in total capital ratio (17.2%) and overall capital requirement for 2019 (11.7%).

kutxabank

Extraordinary measures

Supporting our customers by providing access to financing and payment facilities

Preapproved loans

€26,000Mn

Now available in remote banking[1]

ICO loans

€336Mn

651 ops

Elkargi[2] loans

€227Mn

807 ops

[1] Including all forms of remote communication, in addition to digital channels.
[2] Elkargi is a Basque mutual guarantee society.

Extraordinary measures

Supporting our customers by providing access to financing and payment facilities,

and **collaborating with the Banking Foundations** in initiatives to support affected groups

Customer relief measures already in place

>2,700Mn

>6,800 operations

Moratorium

€431Mn

5,230 ops

Advance of unemployment benefits

Unemployment Benefit in Pension Plans for those affected by economic lockdown

Advance payment of social security pension

Credit card debt deferral

Easing of requirements to qualify for OK accounts conditions

Cost free in cash withdrawals across the entire *euro6000* ATM network

Digitization is confirmed as a *key process*

The important previous work in the **digitization process** has allowed us to quickly react to our customers needs

Launched initiatives

Remote management tools: >45% of the commercial network working with remote management tools (hiring options, telephone support,…)

Extension of the use of the *Wall*[1] for interaction with clients of personalized portfolios

Protocol for contracting products without displacement (funds, insurance, distance banking,...)

Boosting in the use of the Omni-channel Digital Signature (ODS)

Recommendations and advice on cybersecurity to customers

kutxabank

[1] Wall: digital tool for the relationship between the manager and the client in which information and files can be exchanged with a higher level of security than by email. This tool was previously used with personal banking only and now extended to a greater number of managers.

Digitization is confirmed as a *key process*

Significant increase in activity through digital channels during the Covid-19 crisis

Operations through *Omni-channel Digital Signature* (ODS)[1]

>25%

over total

Investment funds contracting and Pension funds contribution through the ODS[1]

~80%

Online stock market operations increase[1]

x2.7

Mobile banking active customers

x1.5

vs 1Q19

Digital sales

x2.6

vs 1Q19

[1] March-April 2020 period

ESG agenda keeps going

Track record

- The Group is a **signatory to the United Nations Global Compact** since 2012
- Joining the **Manifesto on Climate Change**
- **Social Responsible Investment** approach implemented in the Group's Asset Managers
- First banking group to sign a **long term contract for 100% renewable energy supply**
- **First bank to issue a Social Covered Bond** in Spain

New steps

Governance

Incorporation of Sustainability into the Strategy Committee, which has been rebranded as **Strategy and Sustainability Committee**, and the creation of a **new ESG management** in the bank

Products

Launching the **Green mortgage** and the **Green home-insurance**

Other initiatives

Kick-off of the **solar plant that supplies power to the group**

P&L summary

Million of Euros	1Q20	1Q20vs1Q19
Net interest income	136.1	-2.8%
Net Fees+Ins. business	126.8	0.9%
Core banking business	**262.9**	**-1.1%**
Income from equity instr.&equity method	25.1	1.3%
Trading income	-4.5	ns
Other operating income	141.5	ns
Gross margin	**425.0**	**44.7%**
General expenditures	-146.7	-2.4%
Amortisations&Depreciations	-13.9	4.3%
Pre-provisioning profit	**264.4**	**103.4%**
Provisions	-144.8	16.2%
Other income	3.8	-96.1%
Tax and others	-31.7	ns
Net income	**91.7**	**-13.8%**

The first quarter is **not particularly different from budget**.

No impact on Trading income as the decrease in unrealised gains on the equity and FI portfolios are absorbed by CET1.

The result obtained from the transfer of depositary business (Other Operating income) has been used to strengthen provisions. These provisions have turned out to be higher than expected after the Covid-19 outbreak.

Provisions allocated to Credit and RE assets coverage reinforcement, together with the cost of early retirements.

kutxabank

Top line performance

Net interest income (NII)

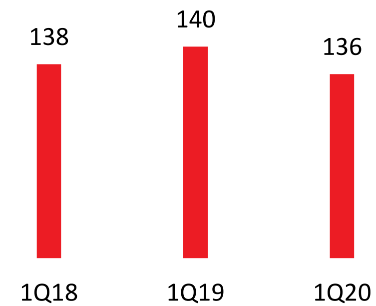
€136.1Mn

-2.8% YoY

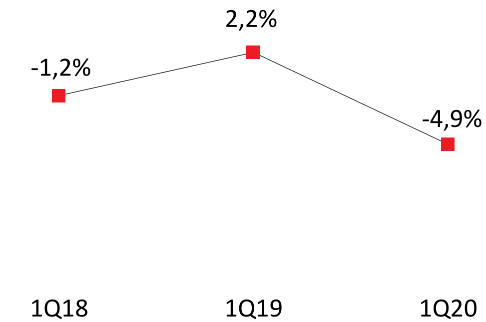
Drop in the Net interest income was fully expected after the severe adverse repricing of the Euribor during mid-year 2019.

Covid-19 has not yet affected its evolution. In fact, the recent tightening of short-term interest rates -with Euribor in the centre stage- could be beneficial for the NII, leaving aside the volume effect.

NII evolution (million of Euros)



Interest income YoY evolution



kutxabank

Top line performance

Net Fees+Ins. business

€126.8Mn

+0.9% YoY

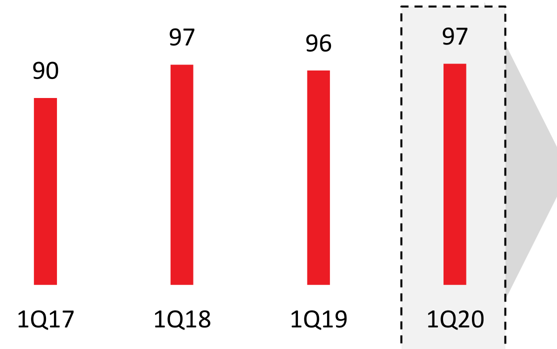
Positive performance of Fees although slightly below expectations due to the slowdown in activity in the second part of March.

Best news coming from the Group's AM

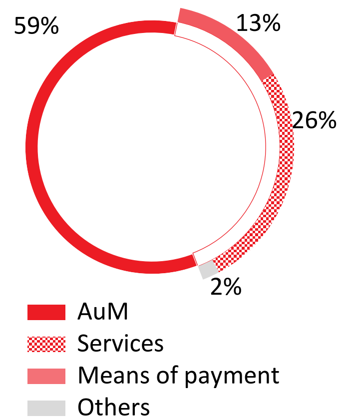
1st AuM by investment funds taking in 1Q20

Market share increase +29bp vs 4Q19

Fee evolution (million of Euros)



Fee distribution



Significant increase in market share

With roughly €20 million net outflows in March, **Kutxabank AM** is leading the ranking by fund takings in 1Q20, with €489 million net inflows. In the first 3 weeks of April advanced data shows once again that the AM keeps leading the ranking with more than €110 million net inflows.

kutxabank

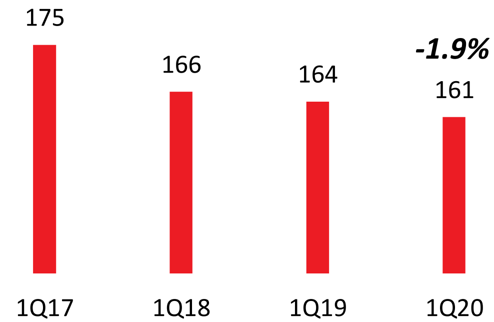
Costs

Operating expenditures

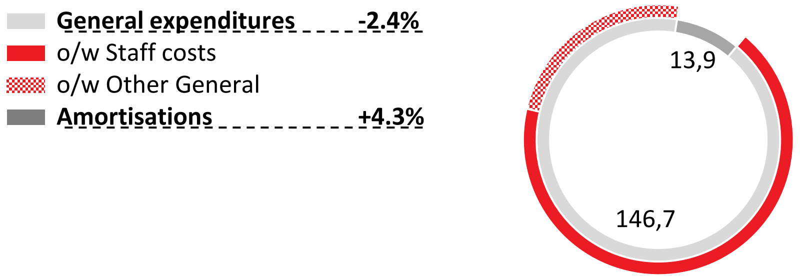
Slight decrease in spite of higher amortisations.

Extraordinary expenses to address the contingency, although not significant. In the following quarters some saving could also be expected following the very recent early retirements process.

Operating expenses YoY evolution (million of Euros)



Operating expenses breakdown (1Q20)



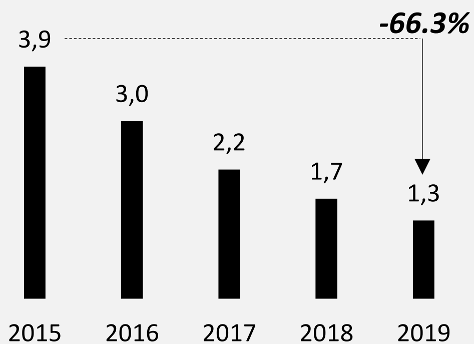
kutxabank

Cost of risk

NPLs

Stock of NPLs remains unchanged in 1Q20. The increase in volumes leads to a slight decrease of the NPL ratio vs 4Q19, while coverage levels reach new highs.

Gross NPL evolution up to 4Q19
(billion of Euros)

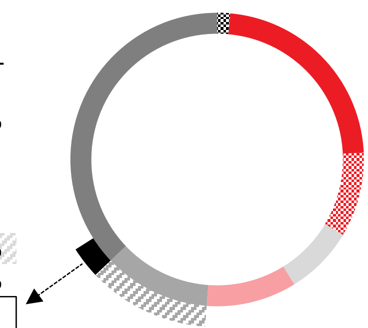


NPL[1]	Coverage[1]
2.95%	60.0%

Including the non-performing Residential mortgages disposal to be finalised during 2020 (*Lezama* project), the NPL ratio would be below 2.5%

SMEs and Corporates loan book[2]: breakdown by sector (billion of Euros)
Very limited credit risk exposure to most affected sectors: *Hotel&catering* plus arts/entertainment/recreation (0.2bn only), and to a lesser extent *Transport&Warehousing*

	SMEs	Corp[2]	TOTAL
Primary sector	0.1	0.0	1.4%
Industry	0.5	1.0	22.8%
Civil construction	0.4	0.2	9.3%
RED	0.3	0.2	7.6%
Trade/commerce	0.4	0.3	9.9%
Transport&Warehousing	0.1	0.7	11.8%
Services	1.2	1.4	37.1%
o/w Hotel&catering, and	0.1	0.0	**2.4%**
arts/entertain./recreation	0.0	0.0	**0.6%**
TOTAL	*3.1*	*3.8*	*100%*



[1] As at 31 March 2020.
[2] SMEs and Corporates loan book as at December 2019. Financial corporates (additional €0.3bn) not included.

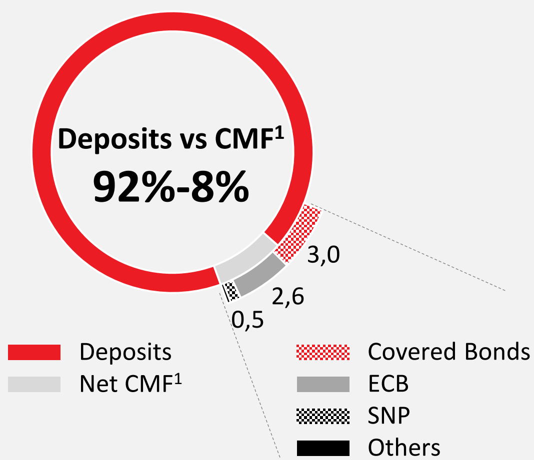
kutxabank

Liquidity & Funding

Strong liquidity ratios supported by a broad and stable retail deposit base.

Liquidity regulatory ratios reflect effectively the buffers that the Group has to deal with this environment.

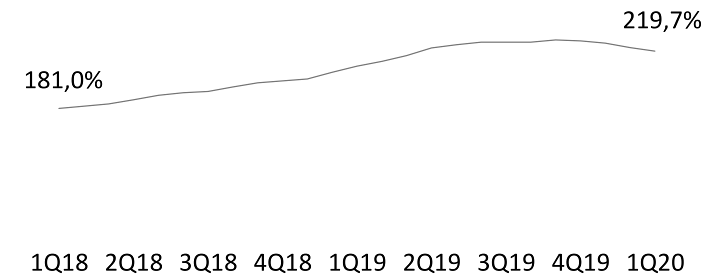
Funding source breakdown



LCR
205.0%
2020m3

219.7%
Last 12m av.

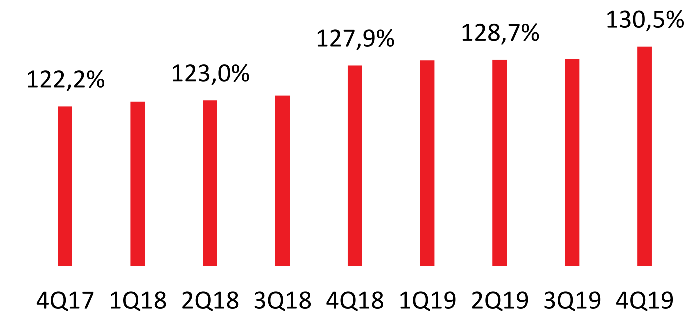
LCR: 12m moving average



NSFR
130.5%
4Q19

128.9%
Last 12m av.

NSFR: evolution



[1] Total outstanding capital markets funding, including ECB funding, is adjusted by the excess cash position including reverse repo net position. As at December 2019, total capital markets funding was €6.3bn vs €2.6bn excess cash position.

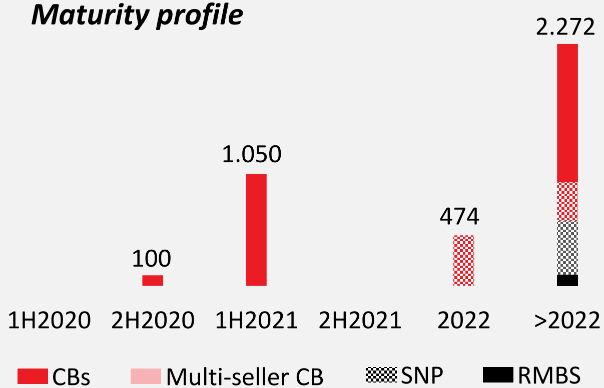
kutxabank

Liquidity & Funding

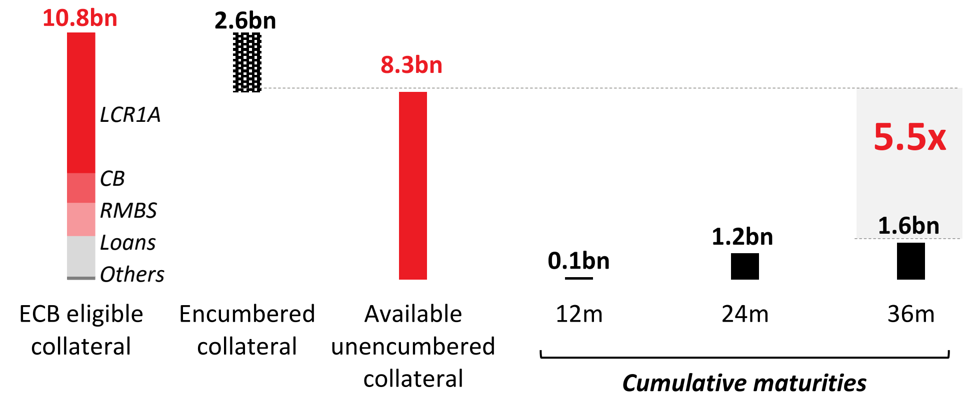
Ample liquidity buffers to cope with potential adverse scenarios.

TLTRO3 brings the chance to increase the take-up to €5,7bn, while the SRB states it is ready to use the flexibility given by the regulatory framework[1] to adapt transition periods and interim targets for MREL.

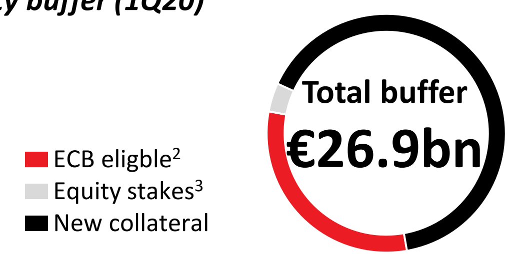
Maturity profile



ECB eligible liquid asset buffer vs maturities (1Q20)



Total available liquidity buffer (1Q20)



kutxabank

[1] Based on the letter published by the Single Resolution Board (SRB) on the 1st April 2020.
[2] ECB eligible collateral value is haircut deducted.
[3] Only listed AFS equity stakes.

Recap

Group's financial strength allows it to focus all its efforts on managing this crisis by trying to respond to the **needs of its customers**.

As demonstrated in the past in all supervisory stress tests, in light of the bank's capital and liquidity buffers, **the Group is very well positioned to withstand this adverse scenario**.

CET1
16.6%
1Q20

LR
8.5%
1Q20

ROTE
6.6%
1Q20

NPL
2.95%
1Q20

Coverage
60.0%
1Q20

kutxabank

Appendix: Glossary

Term	Definition
Basic margin	Includes the heading of Interest Margin, Fee and commission incomes and Fee and commission expenses.
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.
Core banking business	Includes the heading of Interest Margin, Fee and commission incomes, Fee and commission expenses and the Insurance business contribution via OOI.
PD	Probability of default (PD) is an estimation of the likelihood that a borrower will be unable to meet its debt obligations.
Pre-provisioning profit	It is the difference between Gross margin and General expenditures and amortisations.
Non performing loans ratio (NPL)	Ratio of: (Numerator) Doubtful + Contigent risks; (Denominator) Lending + Contigent risks.
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-.
Texas ratio	Ratio of: (Numerator) Non-performing assets; (Denominator) Tangible common equity and loan loss reserves.

kutxabank

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)

kutxabank