



kutxabank

1H2021 Results presentation

29th July 2021

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1H2021 Results presentation

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#1

**Commercial activity up
to record levels in the
2nd year of the pandemic**

Commercial activity up to record levels in the 2nd year of the pandemic

Key product
activity reaches
new highs again

New mortgage
Production

€2,301Mn 1H21

o/w Green mortgages

€524Mn 1H21

Excellent
performance of
the Group's AM

Investment funds
taking

+€1.4bn in 1H21

Market share
all across Spain

+30bps YoY

Asset
quality
improvement

NPLs
reduction

▼€387Mn YoY

NPL ratio

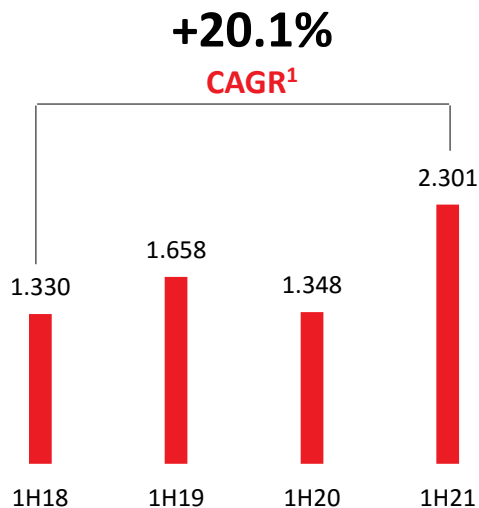
1.95% 2Q21

Leading the recovery

Commercial activity up to record levels in the 2nd year of the pandemic

The positive tendency of business activity consolidates and new production continues beating expectations

Residential mortgages new production evolution (million of Euros)



Growth remains focused on high credit quality customers from its home markets and selectively in wealthy specific urban areas of Spain.

Market share²

Basque Country

All across Spain



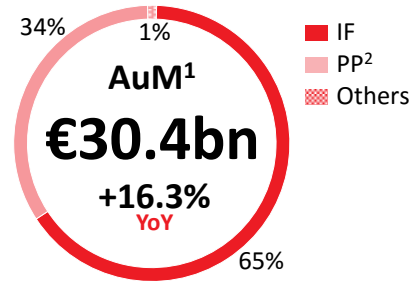
¹ Constant Average Growth Rate of Residential mortgages new production in the last 3 years.

² Data as at March 2021.



Commercial activity up to record levels in the 2nd year of the pandemic

The **Group's AM** reinforces its position in the market



Investment funds
market share
*Spain*³

6.6%

+30bps
YoY

Pension plans
market share
*Basque Country*⁴

48.8%

+109bps
YoY

1st

AM in Spain authorised by the securities market commission to market all products under the **SRI label**

Most recent performance

Investment funds taking

+€1.4bn

in 1H21

10% share

Commercial activity up to record levels in the 2nd year of the pandemic

The **Insurance business** contribution increases well above the previous year and outperforming the sector



Insurance premium portfolio evolution

Home insurance

+15.9% YoY

vs +5.2% sector

Life-risk insurance

+18.1% YoY

vs +5.2% sector

Payment protection

+21.0% YoY

vs +17.3% sector

Death insurance

+45.1% YoY

vs +3.9% sector

Commercial activity up to record levels in the 2nd year of the pandemic

Digitalization being **a fundamental pillar**

The bank continues to focus on digitalisation with a continued increase in the number of digital customers and their linkage.

Digital clients

55.5%

which account for >85%
of the Gross margin

Active users of
Mobile banking

41.8%

+8pps YoY

Digital sales

x1.7

2Q21 vs 2Q20

Digital leads in
mortgages¹

27.0%

Digital formalisation of
consumer products

30.9%

Customer experience
assessment

4.2 out of 5

¹ Data refers to new customers of commercial network outside home region.

Commercial activity up to record levels in the 2nd year of the pandemic

At the same time focused **on supporting our customers** by providing access to financing and payment facilities, and **collaborating with the Banking Foundations** in initiatives to support affected groups

Financial support for families, businesses and companies

- Debt Moratorium for families and vulnerable groups
- ICO and Elkargi¹ loans
- Advance of unemployment benefits
- Unemployment Benefit in Pension Plans for those affected by economic lockdown
- Advance payment of social security pension
- Easing of requirements to qualify for OK accounts conditions
- Credit card debt deferral
- Reduction of the period of payment to suppliers to less than 15 days

Measures aimed at continuing to provide an essential service for the economy

- 100% of branches open maintaining a strict protocol to protect employees and customers
- Cost free in cash withdrawals across the entire euro6000 ATM network
- Extension of contact less card limit without PIN
- Reinforcement of remote banking and means of payment operations
- Enhancement of personalized remote management
- Strengthening of remote and digital channels

¹ Elkargi is a Basque mutual guarantee society. Kb is also involved in additional guarantee lines promoted by other regional governments.

#2

**Asset
quality**

Asset quality

Outstanding asset quality metrics

NPL ratio

1.95%

-92 bps YoY
-260bps vs sector

Coverage ratio

77.94%

+16.9 pp YoY

Coverage ratio*

88.01%

***Including
Prudential
Coverage of NPE**

2020
CoR

36bps

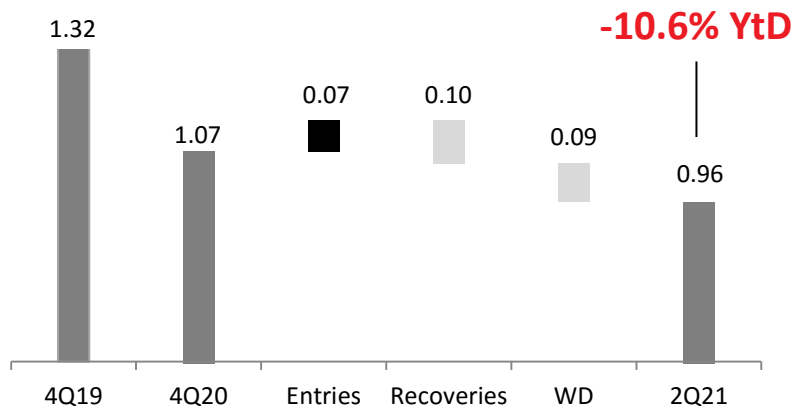
2Q21
CoR

29bps

Asset quality

Stock of doubtful loans continues decreasing

Doubtful loan stock¹ evolution YoY (billion of euros)



Risk migration 2Q21 vs 1Q21

All business segments show stable to positive risk migration trends. Going a step further in terms of prudence, any extension in the term of COVID aid has been categorized as Stage 2, which is reflected in the observable increase of S2 in Non-FIN Corporates.

	ST1		ST2		ST3	
	EAD ² %	2Q-1Q	EAD%	2Q-1Q	EAD%	2Q-1Q
Households	94.0%	0.2%	4.2%	● -0.1%	1.8%	● -0.2%
Public sector	99.6%	0.1%	0.2%	≈ 0.0%	0.1%	≈ 0.0%
Non-FIN Corp	83.6%	-2.9%	12.4%	● 3.5%	4.0%	● -0.6%
FIN-Corp	99.8%	0.0%	0.1%	≈ 0.0%	0.1%	≈ 0.0%

¹ Stock of doubtful loans evolution does not include doubtful contingent exposures amounting to €24 million.

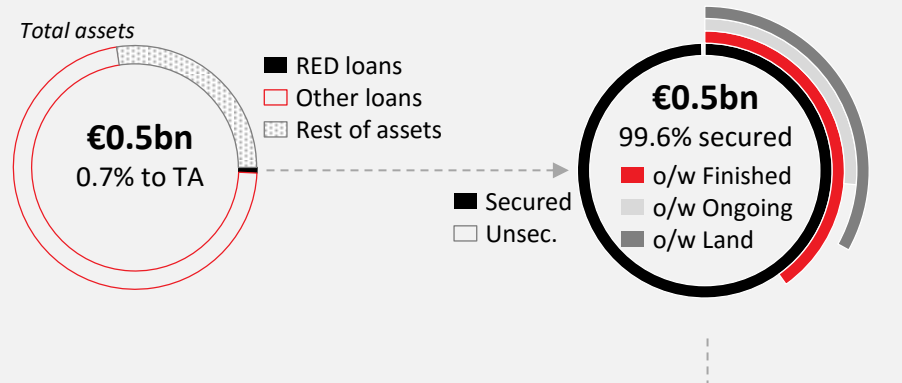
² Exposure At Default.

Asset quality

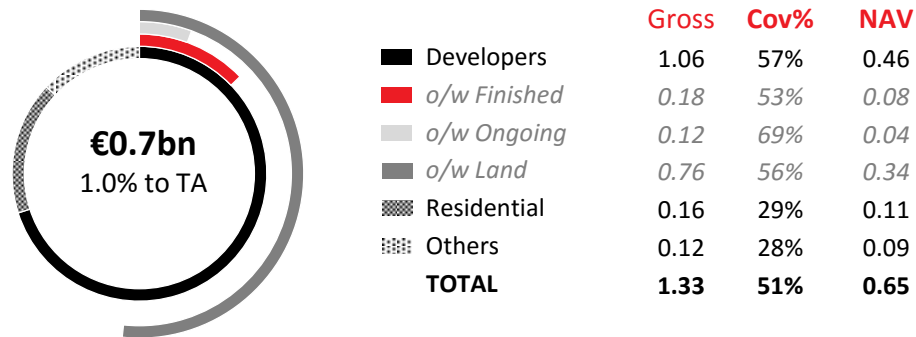
Real Estate exposure in detail (2Q21)

Credit exposure to Developers

Residual exposure amounting only to €0.5bn



Other Real Estate Owned (OREO)

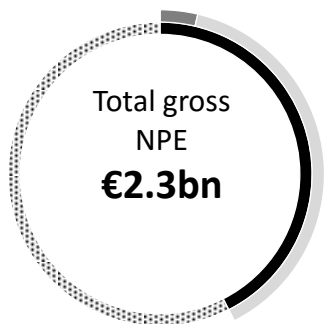


RED NPLs (net) €0.06bn Cov.: 31%	+	Foreclosed assets (NAV) €0.65bn Cov.: 51%	=	RED NPE (net) €0.71bn 1.1 to TA 1.5% to Total loans -21.0% vs 4Q19
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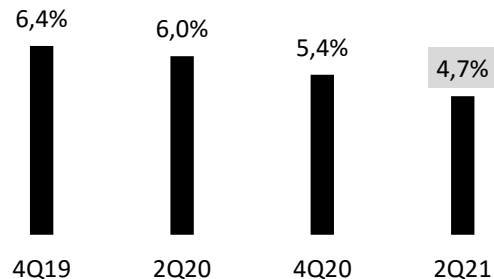
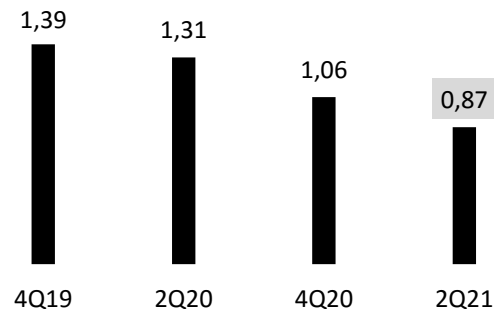
Asset quality

Total Non-Performing Exposures in detail (2Q21)

Total NPE (€bn; gross)



	Gross	%	Cov%	NAV
Foreclosed assets	1.33	57.5%	51.0%	0.65
NPLs	0.98	42.5%	77.9%	0.22
o/w RED	0.08	3.7%	31.1%	0.06
o/w rest of NPLs	0.90	38.8%	82.4%	0.16
TOTAL NPE	2.31	100.0%	62.5%	0.87
To Total assets	3.5%		1.3%	
To Total loans+FA	4.7%		1.8%	



Texas ratio

31.3%

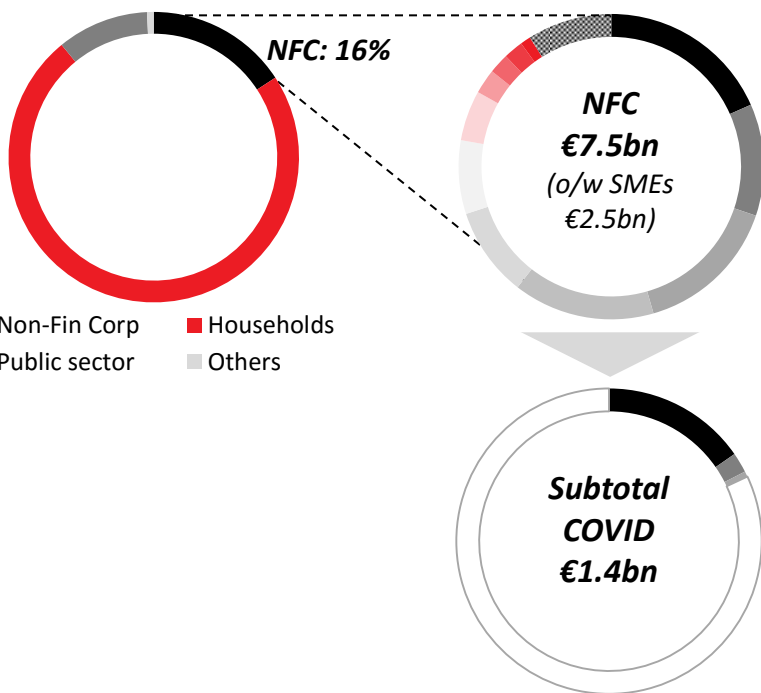
-870bps vs 4Q19

Asset quality

CORONAVIRUS UPDATE 6/21

Very limited credit risk exposure to most affected sectors by the COVID crisis

Credit Loan book breakdown (net)¹



- Manufacturing
- Construction
- Transport and storage
- Fin. and ins. activities
- Wholesale&retail trade
- Real estate activities
- Profess, scientific and tech.
- Info&communication
- Accom&food service
- Public adm.&defence
- Adm&support service act.
- Rest of sectors

The least exposed Loan book to COVID crisis

Most affected sectors represent only 2.8% of the total Loan book (24.9% over CET1).

Most affected sectors	Net exp.	%NPL	% to NFC	% to TL	% to CET1
Transport & storage	1.2	0.4%	15.3%	2.4%	21.2%
Accom. & food service act.	0.2	14.4%	2.1%	0.3%	2.9%
Arts, rec. & entmt act.	0.0	5.5%	0.6%	0.1%	0.8%
Subtotal COVID	1.4	2.3%	18.0%	2.8%	24.9%

¹ Loan book breakdown based on EBA quarterly financial statements. Reference date: 2Q21.

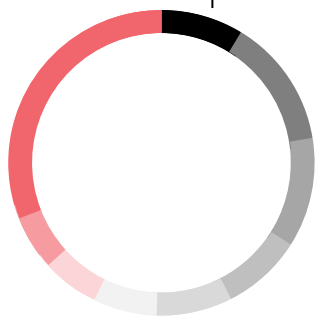
Asset quality

CORONAVIRUS UPDATE 6/21

After this first phase of the crisis,
potential defaults among individuals is also a concern

**However, indirect exposure¹ to the most affected sector
in the credit exposure to Households shows potential
for **greater resilience** in the face of this worrying possible “second round”**

- Subtotal COVID
- Manufacturing
- Services
- Health&social work
- Public adm.&defence
- Profess, scientific and tech.
- Education
- Info&communication
- Rest of sectors



Most affected sectors

(billion of euros)

	Gross	% to HH	%NPL
Transport & storage	1.6	4.8%	2.1%
Accom. & food service act.	1.3	3.7%	4.6%
Arts, rec. & entmt act.	0.4	1.2%	1.5%
Subtotal COVID	3.3	9.8%	3.0%

¹ Sector of activity from which the main source of family income comes.

Financing granted through guarantee lines

The Group is providing financing to self-employed and SMEs through different guarantee lines.

Main guarantee programs



ICO lines

€100bn divided in 5 tranches

€1.295bn (1.3%) allocated to Kb

80% coverage for new transactions up to €1.5 million (70% for new loans > €1.5 million) and 60% for refinancing



Elkargi (Basque mutual guarantee society)

€500 million line promoted by the Basque

Government

100% coverage cost-less

(+Similar initiatives in Navarre –*Sonagar*-, Andalusia –*Garantía*- and rest of the country –*Iberaval*-)

(million of Euros)	Amount granted through guarantees	Guaranteed vs total exposure in each sector
A Agriculture, forestry and fishing	5.9	6.2%
B Mining and quarrying	1.7	31.9%
C Manufacturing	145.1	10.1%
D Electricity, gas, steam and air conditioning supply	1.7	0.9%
E Water supply	3.0	5.1%
F Construction	47.2	4.5%
G Wholesale and retail trade	157.3	21.3%
H Transport and storage	21.0	1.8%
I Accommodation and food service activities	22.6	13.0%
J Information and communication	22.9	11.3%
K Financial and insurance activities	0.8	0.1%
L Real estate activities	11.1	1.7%
M Professional, scientific and technical activities	70.2	17.2%
N Administrative and support service activities	14.3	16.4%
O Public administration and defence, compulsory social sec.	0.1	0.0%
P Education	7.3	14.9%
Q Human health services and social work activities	11.3	17.8%
R Arts, entertainment and recreation	12.6	23.0%
S Other services	3.6	2.0%
TOTAL NFC	559.8	7.1%
Drawn down (%)	43.2%	
<i>Pro-memo: Most impacted sectors by COVID (H+I+R)</i>	56.3	4.0%

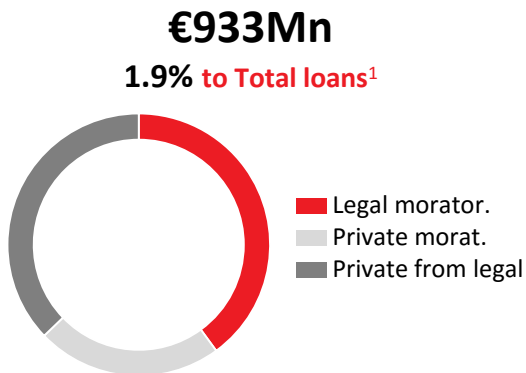
Asset quality

CORONAVIRUS UPDATE 6/21

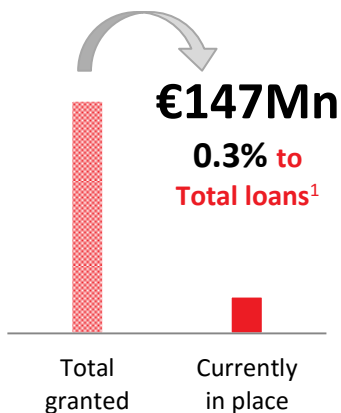
Moratorium measures applied in the loan book

Besides the legal moratorium approved by the Spanish government the Group has also joined the initiative boosted by the industry. After reaching a peak slightly above €900Mn, the amount currently outstanding is **only €147Mn**, very far from market share in the underlying products.

Total amount granted



Current portfolio (2Q21)



¹ Gross loan balance as at 2Q21.

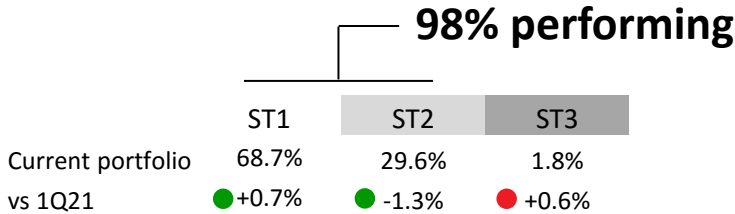
Asset quality

CORONAVIRUS UPDATE 6/21

Moratorium measures applied in the loan book

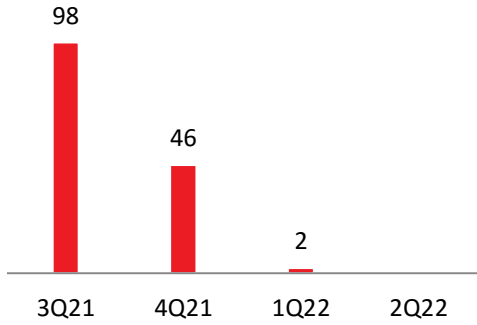
With a much lower exposure than the sector, the evolution shown by the operations is positive.

Payment behavior of current portfolio



Maturity buckets

Outstanding portfolio (million of euros)



#3

**Economic and
sustainability impact**

Economic and **sustainability** impact

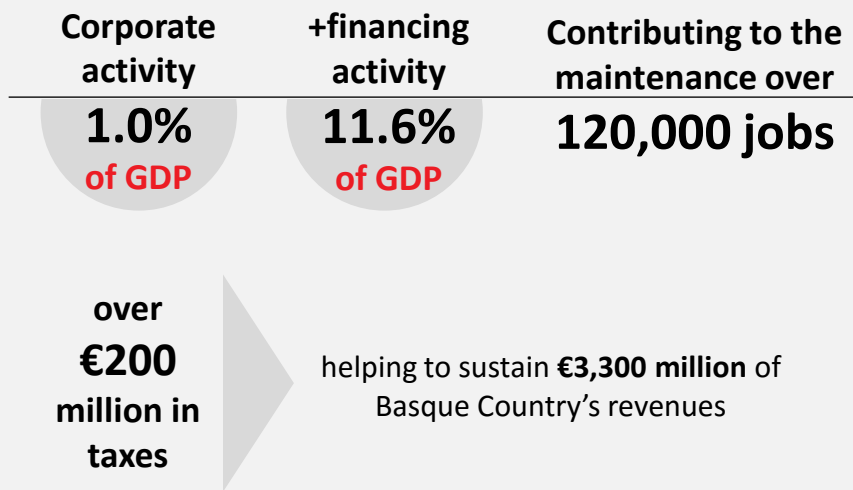
Leading financial services institution in the Basque Country

Highly committed to the economic, social and environmental development of its **home territory**, being the main promoter of the Basque financial ecosystem

Kb's banking activity is complemented by the Group's Financial subsidiaries rooted in the **Basque Country**

Updated figures from the latest study released in 2021

Contribution in the Basque Country through direct, indirect and induced impact



Economic and **sustainability** impact

...but also in **Andalusia and Spain** as a whole

standing out as one of the companies with the highest **tax contribution**, which makes us one of the relevant companies in generating and sustaining added value in the economy

over
€400
million in
taxes

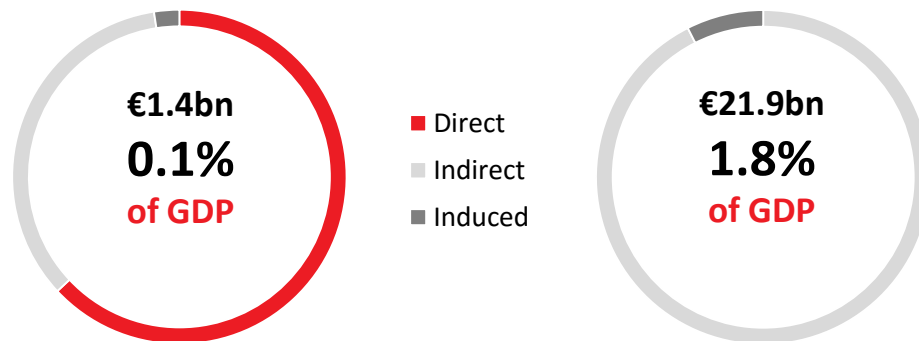


Helping to support €8.9bn of the total Spanish tax collection

Updated figures from the latest study released in 2021

Kutxabank generates the 0.1% of Spanish GDP, while helping to sustain a 1.9% of it. **This percentage rises to 12%** in its operating areas.

Economic impact of Kb's activity



Economic and **sustainability** impact

A model of economic, social and environmental **sustainability**

Latest developments in governance of the ESG dimension

New corporate Sustainability Policy

approved by the Board of Directors

Setting up of a Climate technical office

with a special focus on stress testing and the development of the NFIS

Advancing the design of several frameworks







for financing and other commercial reasons



Economic and **sustainability** impact

Keeping the focus on economic, **social**
and **environmental** issues

2019-21 Strategic Plan **main initiatives**

-  Organization of corporate volunteering
-  Adaptation in non-accessible offices and ATMs
-  Improvement in the consumption of the entity's energy resources
-  Encourage and provide training to customers
-  Raising staff awareness on waste reduction
-  Improving IT, data protection and physical security

MAIN TARGETS 2021

Electric Energy
Consumption

100%
renewable



Carbon
footprint

80%
reduction



Economic and **sustainability** impact

Green & Sustainable new products YtD



SME&Corporates
lending
>€600Mn



Consumer
loans
x3.5 vs 1H20



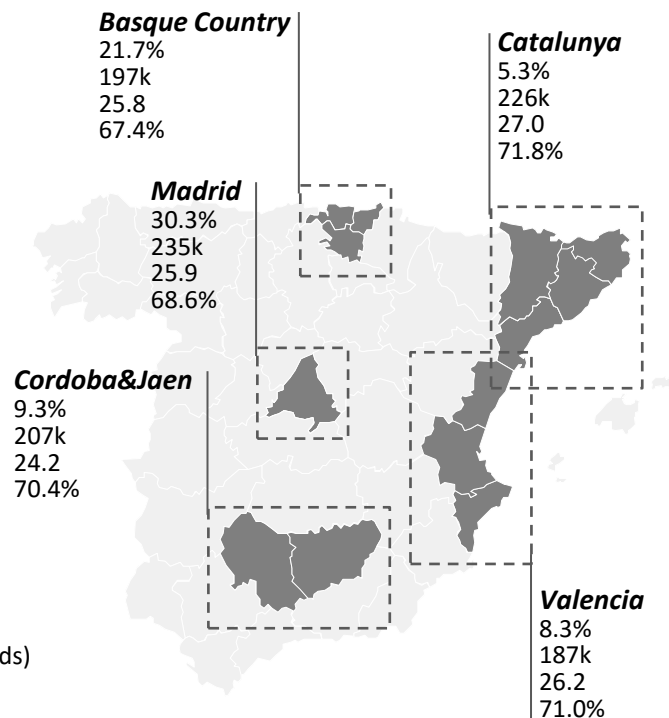
New Insurance
Policies
941



1 out of 4
new mortgages
are green
>€500Mn

Action map: green residential mortgages

Top 5 impacted regions by the initiative



MAP KEY

Region

Impact ratio (%)
Loan av. Size (thousands)
Loan av. Life (years)
OLTIV (%)

Economic and **sustainability** impact

Other initiatives taken

Kutxabank reduces its CO2 emissions by 84.3%

-
During 2020 Kutxabank has substantially reduced the CO2 emissions generated by its corporate activity, thus consolidating its position as a leading reference in the field of environmentally sustainable companies.

Since 2018 Kutxabank has reduced its carbon emissions by 84.3%, going from the 8,114 tons generated in 2018, to the 1,272 tons emitted in 2020. This reduction is largely due to the entry into force on January 1, 2020 of a contract with Iberdrola so that about 800 bank branches and all of the Kutxabank Group's work centers are supplied exclusively with green electricity from the Núñez de Balboa photovoltaic plant.

Corporate volunteering

-

As every year, Kutxabank, in collaboration with the Blood Donors Association of Gipuzkoa, organizes blood draws in San Sebastian. The collection is aimed at employees of the Group.

Next Generation funds



Kutxabank wants to play an active role in channeling Next Generation EU funds to value-adding projects for the Basque Country. Several initiatives have been launched to keep customers up to date, ie. the incorporation of a digital platform that allows customers to perform a self-diagnosis to locate those aids that are relevant to their structure and needs.

Forest management

-

During 2021 Kutxabank will replant more than 83 hectares in the forests it manages with the collaboration of Basoinsa and the Forest Owners Association of Gipuzkoa. Cleanup is another of the important actions carried out annually. In 2020, around 94 hectares were cleared, and the goal is to clear 128 hectares in 2021. Kutxabank manages a total area of 1,086.45 hectares of forest, located in Araba, Bizkaia and Gipuzkoa, which accommodates a wide variety of ecosystems rich in biodiversity. Of the total area managed, Kutxabank owns 971.72 hectares, which have more than 570,000 trees that absorb 13,656 tons of carbon dioxide.

#4

**Financial
performance**

Financial performance

P&L summary (million of Euros)

	1H21	1H21vs1H20
Net interest income	275.8	1.2%
Net Fees+Ins. business	288.6	16.8%
Core banking business	564.4	8.6%
Income from equity instr.&equity method	35.1	-5.1%
Trading income	-0.6	-86.1%
Other operating income	-24.6	25.8%
Gross margin	574.3	7.8%
General expenditures	276.9	-4.1%
Amortisations&Depreciations	18.5	-33.5%
Pre-provisioning profit	279.0	28.8%
Provisions	-143.7	-23.3%
Other income	31.0	-79.5%
Tax and others	-40.8	-5.2%
Net income	125.5	-8.8%

Solid Core banking business evolution (8.6%) driven by the strong increase in Commissions (+18.1%) and the remarkable performance of the insurance business (+12.6%).

Significant cost reduction. General expenses decreases by an additional -4.1% leading to a Pre-provision operating profit that grows by almost 30%.

€144Mn are allocated to provisions, maintaining the precautionary approach.

Decrease in **Net income** reflects the absence of the extraordinary income from the Depository business sale recorded in the previous year.

Financial performance

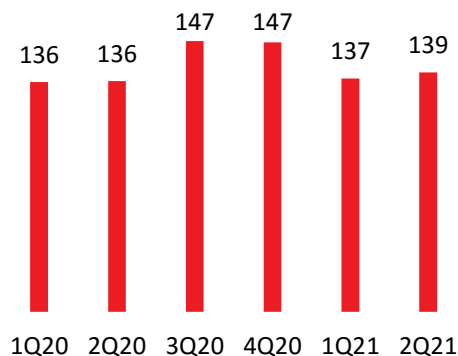
Top line performance

Net interest income
(NII)

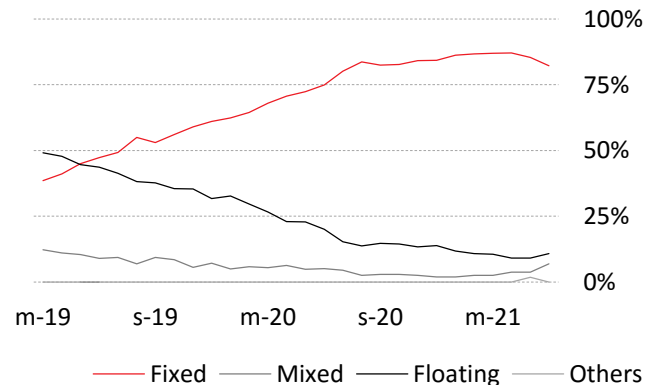
€275.8Mn

1.2% YoY

NII quarter evolution (million of Euros)



Mortgage front book interest rate
reference mix evolution



The rise in volumes together with the significant amount of fixed-rate loans (**89% of 2Q21** new production are fixed-rate) and the contribution of TLTRO financial benefit, help to impulse the Net interest income even though it continues to reap the impact of the severe 2020 Euribor repricing.

Financial performance

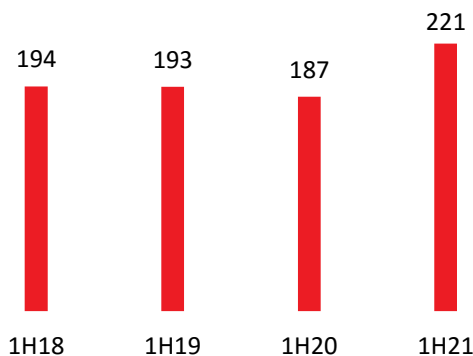
Top line performance

Net Fees+Ins.
business

€288.6Mn

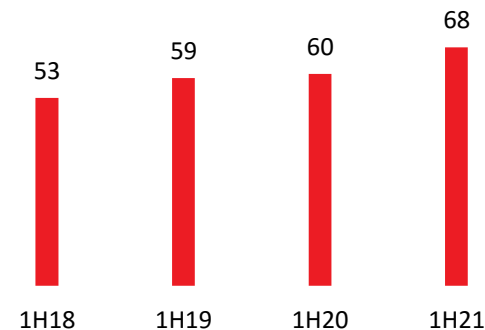
+16.8% YoY

Fees evolution (million of Euros)



Ins. business through OOI

(million of Euros)



Strong growth in commissions (18.1%) which allows for further progress in income diversification.

Significant increase of the insurance business (12.6%) with better performance than the sector in the main products.

All in all, both components grew by +16.8%.

Financial performance

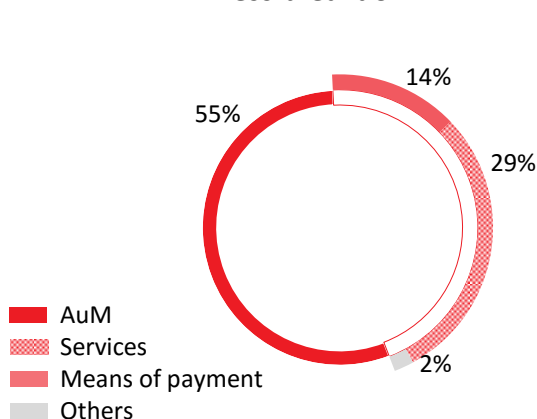
Top line performance

Core banking
business

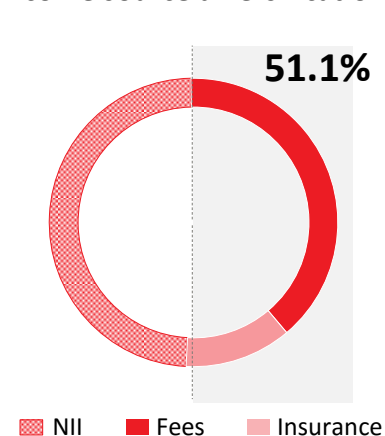
€564.4Mn

+8.6% YoY

Fees breakdown



Income source diversification



The income from Fees and Insurance business already account for more than 50% of the Core income.

Kutxabank **leads the sector** in terms of Commissions and bancassurance income to Total assets.

Financial performance

Costs

General expenses

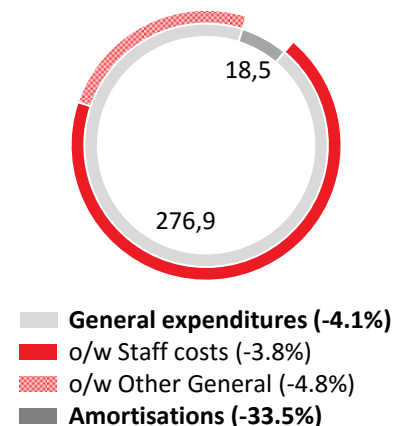
€276.9Mn

-4.1% YoY

Operating exp evolution (million of Euros)



Operating exp breakdown (1Q21, YoY)



Focus on cost control with an additional cost reduction of €21Mn YtD vs 1H20.

Including amortisations, Operating expenses amounted to €295.4 million (-6.6% YoY).

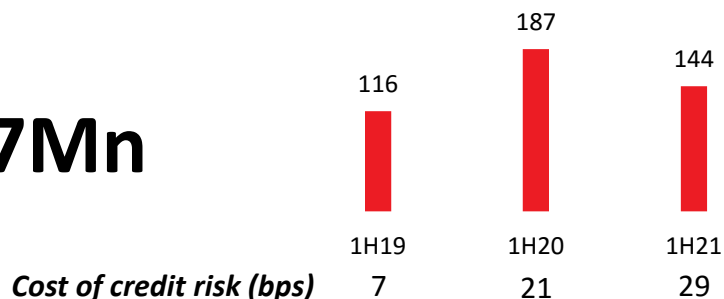
Financial performance

Cost of risk

Total provisions
€143.7Mn

Impairments and provisions breakdown

(million of euros)



	1H21
Credit risk	73.8
Other provisions&cont.	69.9
Total provisions	143.7
<i>o/w COVID</i>	32.3
Cost of risk (bps)	29

Provisioning at levels of 1H20, maintaining the strong exercise made this year, as a result of the traditional policy of prudence that characterizes the Group.

#5

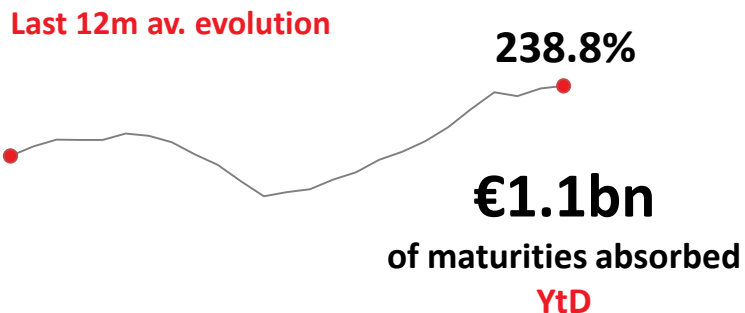
Funding plans

Funding plans

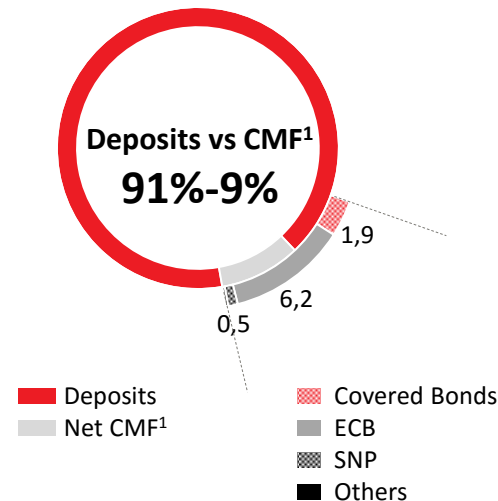
Strong liquidity ratios supported by a **broad and stable retail deposit base.**

LCR
194.5%
2021m6

NSFR
136.9%
2Q21



Funding source breakdown (2Q21)



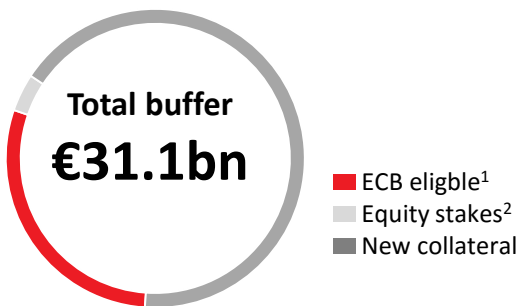
¹ Total outstanding capital markets funding, including ECB funding, is adjusted by the excess cash position including reverse repo net position. As at June 2021, total capital markets funding was €8.7bn vs €3.9bn excess cash position.

Funding plans

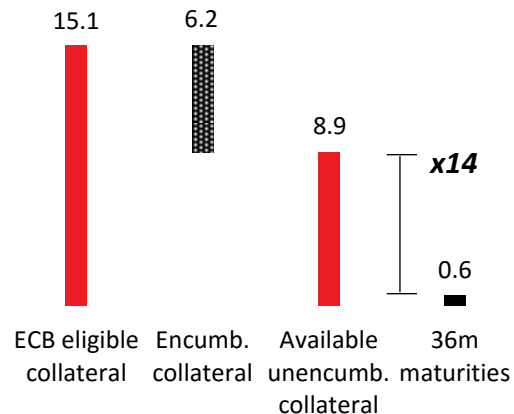
Ample liquidity buffers

Large ECB eligible liquidity cushion to bear potential capital market shutdowns

ECB eligible collateral



Available unencumbered collateral (€bn)



¹ ECB eligible collateral value is haircut deducted.

² Only listed AFS equity stakes.

Funding plans focused on MREL requirement

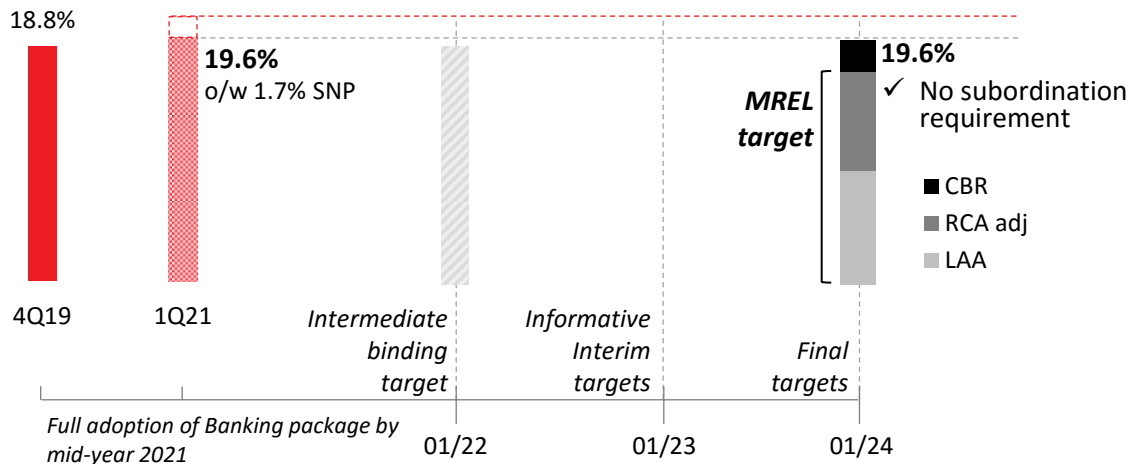
No funding needs except for those related to fulfilment of MREL requirement.

Current MREL capacity stands about final target levels. However, **Funding plans for the current year consider a €500 million SNP debt issuance** in order to already build a management buffer over the requirement.

MREL capacity

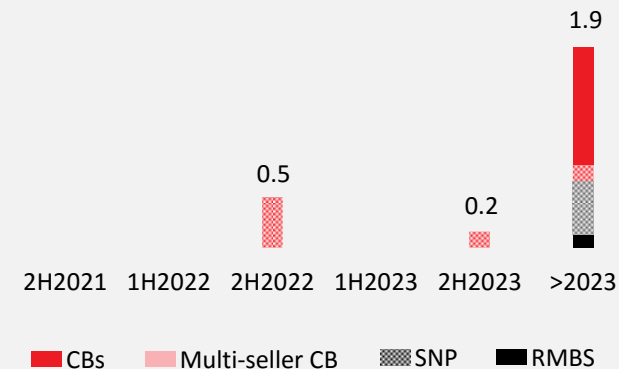
--- Current capacity.

- - - Potential capacity after deploying Funding plans



Maturity profile (€bn)

No pressure arising from maturities in the short/medium run



Recap

Leading the recovery

Very high degree of fulfillment of the internal guidance on essentially all fronts

Commercial positive dynamics remains firm, highlighting the **good-quality growth in residential mortgages**, the **robust performance of the Group's AM** and the **very positive evolution of the insurance business** all of them showing a better performance than the sector.

Significant progress also in the marketing of products through digital channels and the ESG front.

Asset quality: NPL ratio *already below 2%*

Stock of doubtful loans decreases in all business segments.

Going a step further in terms of prudence, any extension in the term of COVID aid has been categorized as Stage 2.

No significant developments in relation to the risk status of the moratorium portfolio. Outstanding portfolio amounts to only €147Mn

NPL coverage reaches levels of **78%**.

Core banking business

+8.6% YoY

The Banker **Database**

TOP 1000
WORLD BANKS 2021

Best-Performing Banks

Spain
Ranking: 1



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Kutxabank,
more than 100 years
creating economic and
social value through a
distinctive way of doing

• **Remarkable financial strength**
Most solvent banking group in Spain according to EBA

• **Most effective social impact per capita**
through dividends to its owners (BBK, Kutxa, Vital banking foundations)

• **Lowest P2R among Spanish banks**
(Ranking 6th all across Europe) and Lowest MREL requirement among Spanish Banks

Socially and environmentally sustainable:
• **Positive net impact on carbon footprint**

Long-lasting and reliable financial sustainability. Once again at the top.

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Appendix: Glossary

Term	Definition
CAGR	Compound Annual Growth Rate.
CBR	Combined Buffer Requirement.
CET1	Common Equity Tier 1.
Core banking business income	Includes the heading of Interest Margin, Fee and commission incomes, Fee and commission expenses and the Insurance business contribution via OOI.
Cost of risk	Ratio of: (Numerator) Loan loss provisions, (Denominator) total amount of loans and advances to customers and contingent liabilities.
Coverage ratio	Ratio of: (Numerator) Total value adjustments for impairment of assets under Customer loans and advances and Contingent risks; (Denominator) Total gross doubtful assets corresponding to these same headings.
Coverage including Prudential Coverage of NPE	Ratio of: (Numerator) Total value adjustments for impairment of assets under Customer loans and advances and Contingent risks and the deduction from CET1 of the value of the legacy NPEs; (Denominator) Total gross doubtful assets corresponding to these same headings..
IFRS	International Financial Reporting Standards.
LAA	Loss absorption amount.
LCR	Liquidity Coverage Ratio.
MREL	Minimum Requirement of Eligible Liabilities.

Appendix: Glossary

Term	Definition
NSFR	Net Stable Funding Ratio.
Non-performing loans ratio (NPL)	Ratio of: (Numerator) Doubtful + Contingent risks; (Denominator) Lending + Contingent risks.
OLTV	Original loan to value
Pre-provisioning profit	It is the difference between Gross margin and General expenditures and amortisations.
RCA Adj.	Adjusted recapitalization amount
Texas ratio	Ratio of: (Numerator) Non-performing assets; (Denominator) Tangible common equity and loan loss reserves.
TLTRO	Targeted Longer-term refinancing operations



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