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kutxabank
9M2022 Results presentation

27th October 2022

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**Key
highlights**



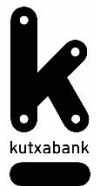
**Financial
performance**



**Asset
quality**



**Other
Recent developments**



Key highlights

Banking business advanced by an additional 5%

with a very positive outlook for the short and medium term in view of interest rates dynamics

Leader in terms of Service revenues:
0.97% to Total assets

Net income
EUR250Mn

Back to pre-pandemic level

Group's AM leading net fund-takings

in an environment of a extremely high volatility

+EUR1.5bn in 9M22

Digital sales accounting for **43%** of total transactions

Digital clients now reach **60%**

Performing lending grew by 3.5%

while NPL stock continues to decrease

NPL 1.4%
Excellent position to face potential adversities

Remarkable
CET1 of **17.1%**





Financial performance

P&L summary

Net income
▲42%
in 9M22

(EUR million)	9M22	Δ9M22-9M21
Net interest income	429.7	2.7%
Net Fees+Ins. business	473.4	6.9%
Core banking business	903.0	4.9%
Equity method&Dividends&TI	83.7	114.6%
Other operating income (OOI)	-41.6	16.8
Gross margin	945.1	9.3%
Operating expenses	-454.4	2.4%
Pre-provisioning profit	490.7	16.6%
Provisions	-172.6	-19.6%
Other income	26.1	-27.4%
Tax and others	-93.8	42.8%
Net income	250.5	42.1%

Core banking business continued to show a **strong performance**, backed by the positive contribution from Fees (+5.5%) and Insurance business (+11.6%) and the increase in Net interest income (+2.7%).

Mainly due to higher-than-expected contribution from equity investments

Contained increase in Operating expenses, below forecast and inflation leading to a Pre-provision operating profit growth of 16.6%.

Although lower than previous year, the Group maintains a high level of prudent provisioning





Financial performance

Top line income

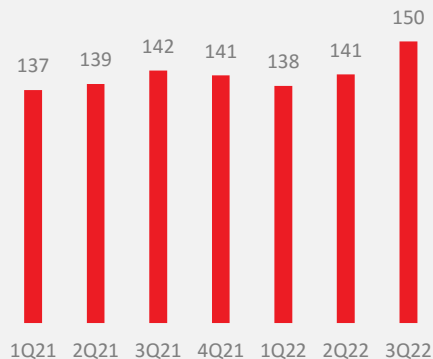
Net interest income (NII)

EUR429.7Mn

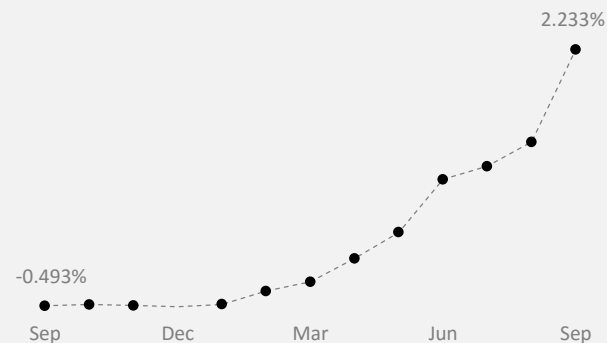
+2.7% YoY

The increase in interest rates is beginning to be reflected in Net interest income (+6.2% QoQ), with a very positive outlook for the coming periods in view of the Euribor evolution (already about 2.7%).

NII quarter evolution (EUR million)



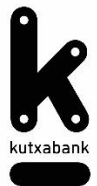
Short-term interest rates: Eur12m evolution



Interest rates continue their upward shift putting pressure on new business margins. Despite this backdrop, **productive lending grew by 3.5%**.

Kb will continue to **focus on maintaining the balance between market share and margin**, targeting value customers and omnichannel product development.





Financial performance

Top line income

Income from Services & Insurance business

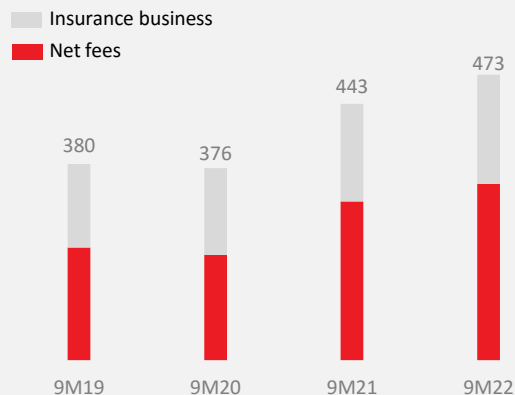
EUR473.4Mn

+6.9% YoY

Strong growth trend continues in Fees and income from Insurance business, reinforcing the revenue diversification structure.

Kutxabank leads the sector in terms of Service revenues⁽¹⁾ (0.97% to Total assets).

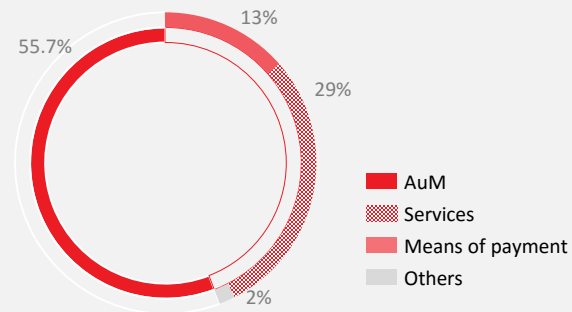
Net Fees+Ins. business evolution (EUR million)



These items already cover 104% of the Group's total administrative expenses.

Close to 100,000 new policies in 9M22 with advances in virtually all products categories.

Net fees breakdown (9M22)



The AuM contribution negatively impacted by the effect of valuations owing to market volatility. However, the Group's AM remains at the top of rankings in terms of net fund-takings so far in 2022 and continues to increase its market share.



⁽¹⁾ Including Net fees and revenues from the Insurance business through "Other operating income (OOI)".



Financial performance

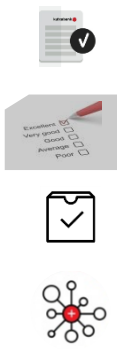
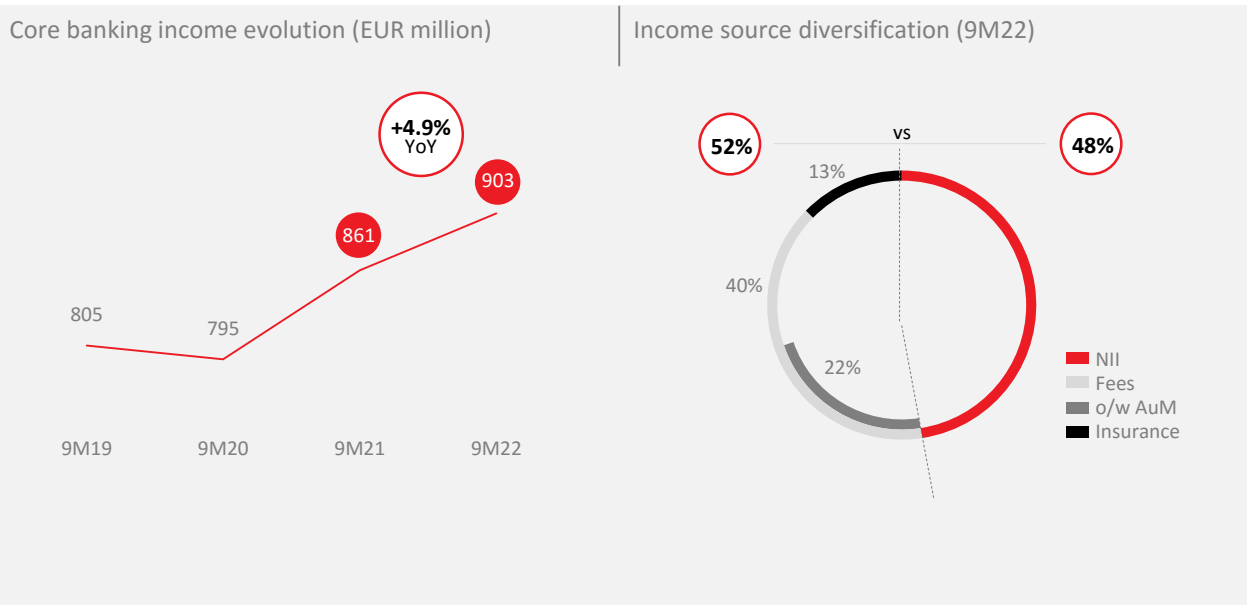
Top line income

Core banking business

EUR **903.0Mn**

+4.9% YoY

Significant growth in Core Banking business supported mainly by the strong contribution of Income from services and the repricing of the loan book driven by the dynamics of interest rates.





Financial performance

Operating expenses

Administrative expenses

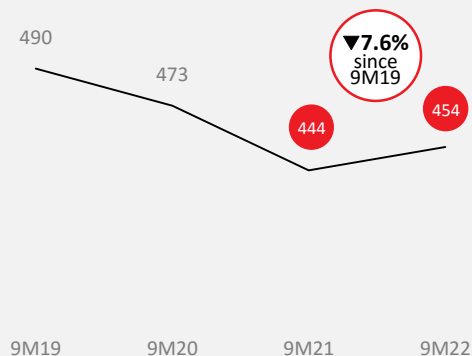
EUR424.7Mn

+2.1% YoY

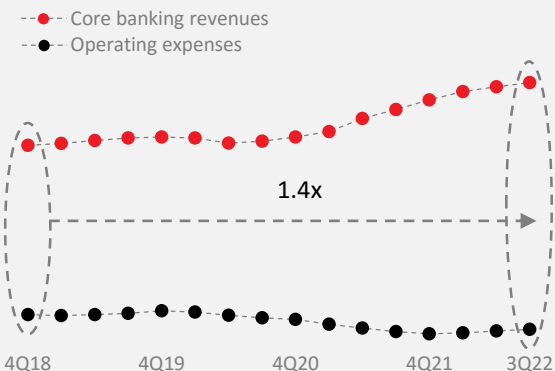
Including amortisations, Operating expenses amounted to EUR454.4 million (+2.4% YoY). After a few years of strong cost reductions, expenses increased, below budget and significantly below inflation.

In addition, the significant digital investments of the recent years (EUR70Mn allocated in 2022) have led to an increase in amortisations.

Operating expenses evolution (EUR million)



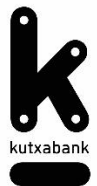
Evolution of Core revenues vs Op. expenses



In the period 2019-21 the **spread** between Core banking revenues and Operating expenses **has expanded a 40%**.

Despite the slight increase in costs, this trend has continued in the last nine months and now is at 46%.





Financial performance

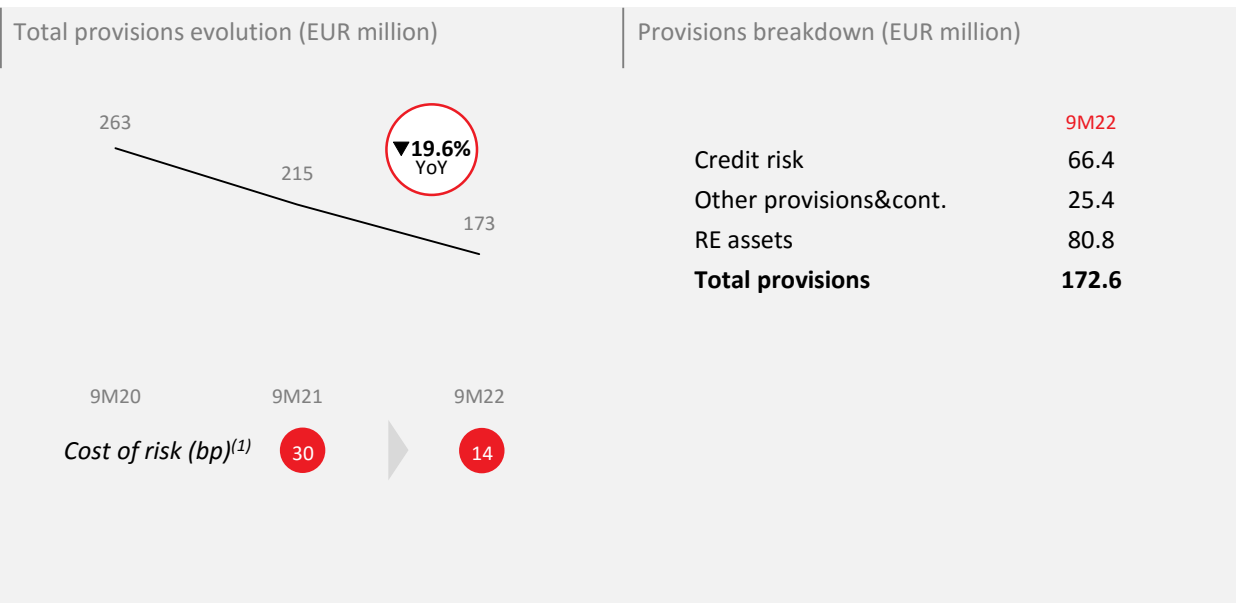
Cost of risk

Credit risk impairments and other provisions

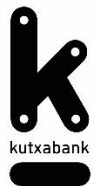
EUR **172.6Mn**

-19.6 YoY

A significant level of provisioning effort is maintained in the face of geopolitical risk and macroeconomic uncertainties



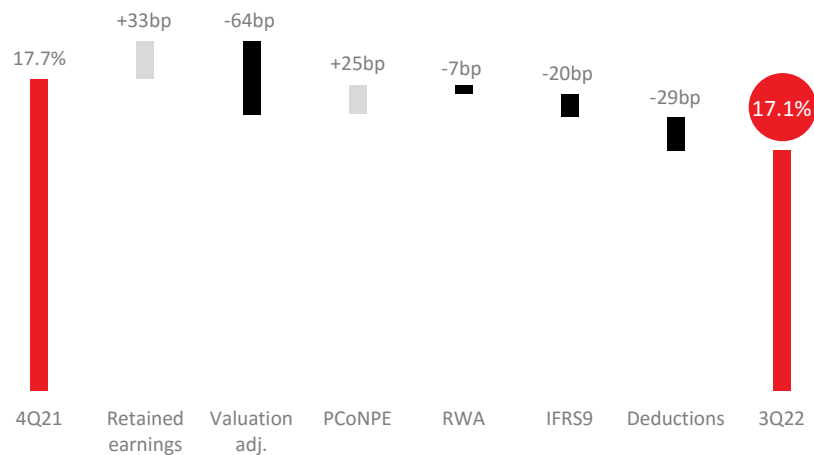
⁽¹⁾ Including Credit risk impairments and other provisions.



Financial performance

Capital management

Capitalisation: CET1 phased-in Year-to-Date evolution

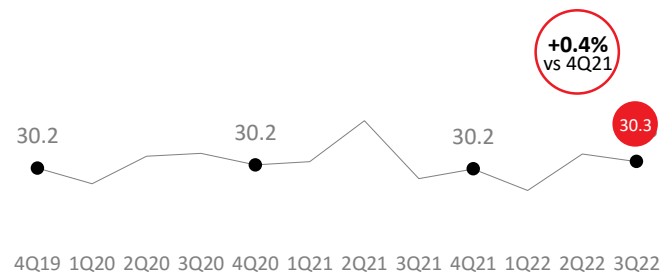


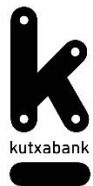
Slight decrease in CET1 mainly driven by market turmoil and RWA inflation from asset growth

Main impacts on capital (YtD; Phased-in)

	Impact (EURMn)	Impact (bp vs 4Q21)	▲/▼
Valuation adjustments	192.1	63.7	▼
Risk-weighted assets	129.7	7.3	▼
Total earnings	250.5	83.0	
<i>o/w retained</i>	100.2	33.2	▲

Risk-weighted assets evolution (Phased-in; EURbn)





Financial performance

Capital management

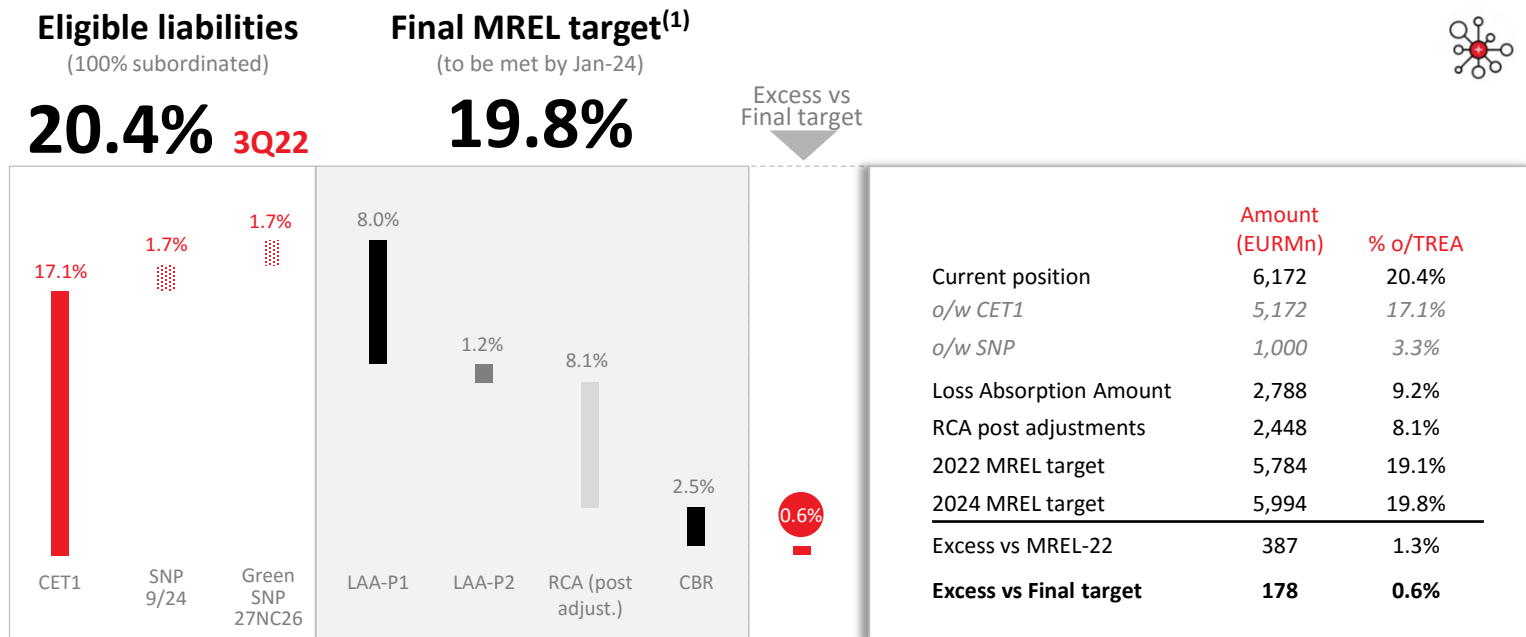


Formal communication:

- On January 24, Kb received from the Bank of Spain the formal communication regarding the MREL established by the Single Resolution Board (SRB).
- According to this decision, from the 1/1/2024 Kb must maintain an amount of own funds and eligible liabilities at consolidated levels of at least 17.28% to its Total Risk Exposure Amount (TREA) and of 5.25% to its Leverage Risk Exposure (LRE).
- Additionally, a binding intermediate target of 16.59% to TREA and 5.25% to LRE as of 1st January 2022 has been set in the said communication.

MREL current position vs requirement

The Group will keep working on building a sufficient buffer consistent with its business model and risk profile



⁽¹⁾ No subordination required.



Financial performance

Liquidity risk management

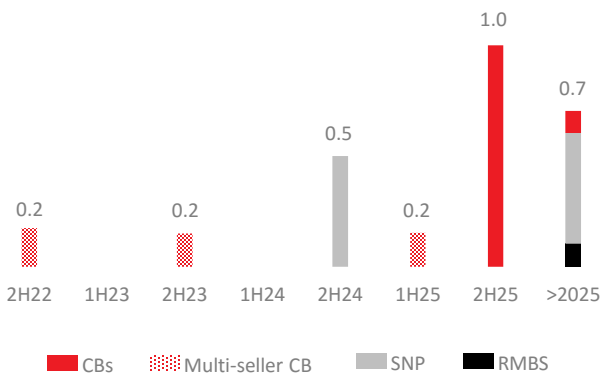
Well-diversified and stable funding structure

underpinned by a large and sticky Retail deposit base

Comfortable maturity profile

Additionally, existing liquidity buffers comfortably cover maturities over a long time horizon

Debt security maturity profile (EUR billion)



ECB funding

(TLTRO III.3, 4, 7)

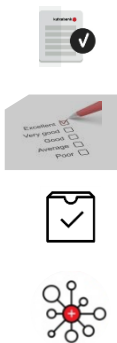
EUR6.2bn

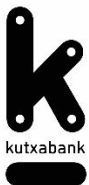
The bulk of the position matures in 2023. Awaiting news on the ECB's exit strategy, the group adopts as a base case all the repayments on schedule

Bearable impact on LCR and NSFR

LCR **210.6%** 9m22
Last 12 months av.

NSFR **135.6%** 3Q22





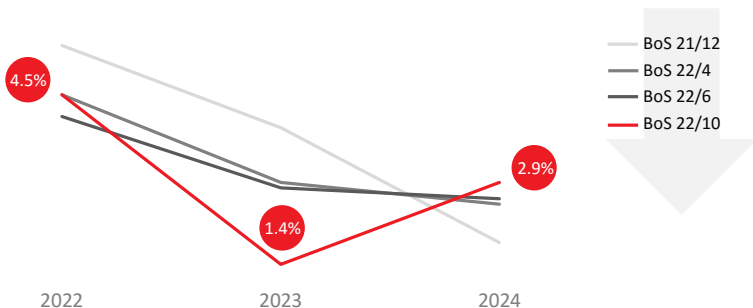
Asset quality

Stock of doubtful loans keeps decreasing

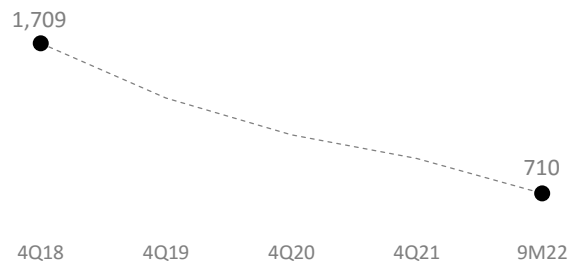
Despite the challenging context stock of doubtful loans keeps decreasing with still no sign of deterioration in any business segment

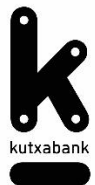


Macroeconomic forecasts have worsened further



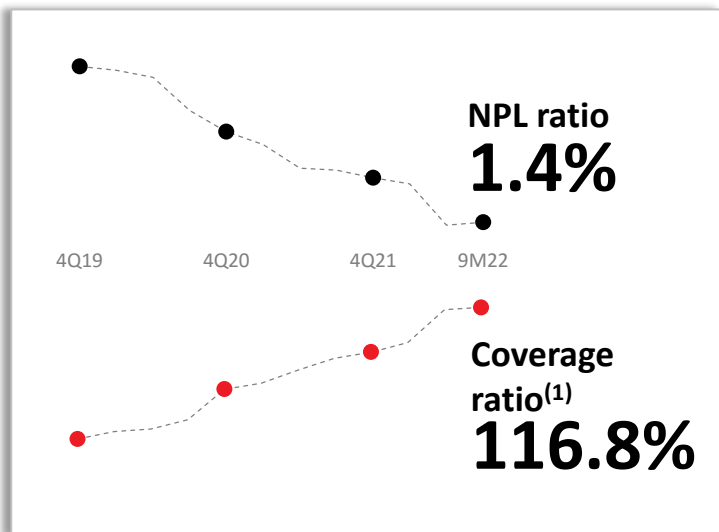
Stock of non-performing assets has continued to decline to date





Asset quality

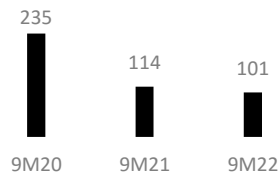
The **lowest NPL** ratio in the market



-245bp
vs
sector⁽²⁾

New entries remain subdued

The limited exposure to credit relief measures allows to be optimistic about its future development



Well positioned for rate hikes

Increase in rates raises some concerns in the market, *however*:

The vast majority of new mortgages granted in the last 7-8 years are at fixed rates and have been hedged

Moreover, new business focused on high or very high income customers

Most of the floating portfolio has a high seasoning meaning a lower interest burden on installments

Interest rate parameters used in the credit risk approval process involve much more demanding levels than those currently in place



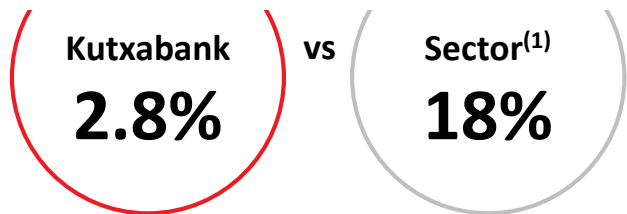
⁽¹⁾ Including prudential provisioning of NPE according to ECB calendar.

⁽²⁾ Data for the sector as at August 2022 (last data available). Source: BoS.

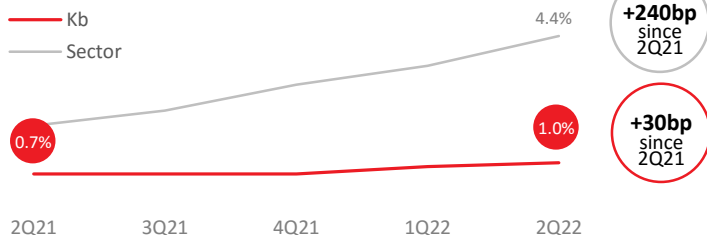
Asset quality COVID related relief measures

Lower relative position and higher risk quality

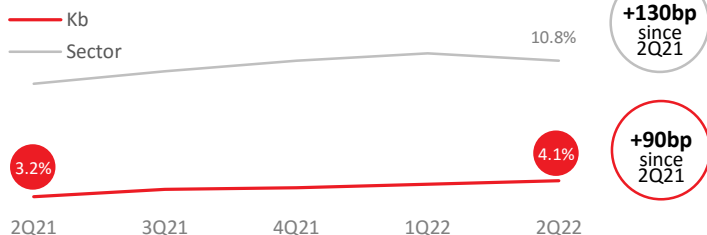
COVID-19 portfolio over total financing to Households, SME and Corporates:



ICO portfolio: NPL% evolution, Kutxabank vs sector⁽¹⁾



Moratoria: NPL% evolution, Kutxabank vs sector⁽¹⁾



⁽¹⁾ Source: PwC. Data as of June 2022. Banking sector data includes 9 of the 10 significant banks in Spain.



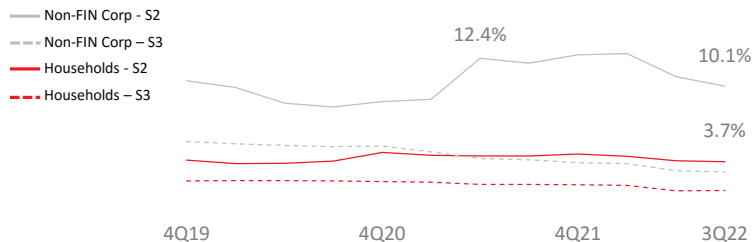
Asset quality NPA evolution

Loans and advances by segments and stages (3Q22)

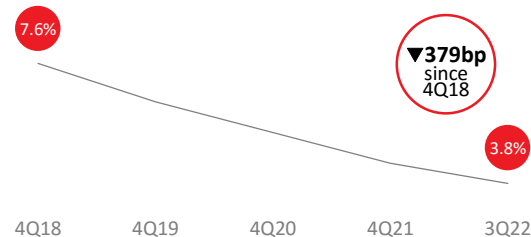
Conservative credit portfolio profile with a bias towards secured financing

		Stage 2	Stage 3
Households	71.1%	3.8%	1.3%
Public sector	11.2%	0.3%	0.0%
Non-FIN Corp	16.9%	10.9%	3.0%
FIN-Corp	0.7%	0.2%	0.0%

Stage 2 & Stage 3 exposure evolution



NPA%⁽¹⁾ evolution since 4Q18



(EUR bn)	Cov%
NPLs	0.7 101%
Foreclosed	1.2 58%

NPA NAV
EUR0.5bn
(0.7% to Total assets)

Texas ratio
26.0%
3Q22



⁽¹⁾ NPA%: the result of dividing NPA (Doubtful loans + Foreclosed assets) by the sum of Total loans and FA.



Other recent developments

ESG developments



Kb remains committed to channeling sustainable financing and developing ESG aspects

Green product marketing in 3Q22

Sustainable financing targets for the full 2022 already met



Green Retail mortgages
1 out of 4
new mortgages



Green insurance
+17.5%
vs 3Q21



Green Consumer loans
2.1x
3Q21 production



SME&Corporates lending embedding ESG aspects
EUR802Mn

Corporate ESG initiatives



Kb will plant 100,000 trees during 2022, increasing the carbon footprint neutralization capacity



New Energy Efficiency Loan channeled through **NGEU**



Launching of mandatory ESG and climate risk training for the entire organization





Other recent developments Making progress in the Digital Agenda...



Progress in Mobile Banking **Fund Trading**



Significant advances in **Digital Mortgage project**



Developing solutions and improving **security**



Remote management tools upgraded and boosted



Online Commerce purchases through **Bizum**

Nearly **70%** of the **IT budget** is dedicated to the **Digital Agenda**



Más visual, con accesos directos a tus cuentas, tarjetas, recibos y tu correspondencia



En los ajustes de la app puedes cambiar a la versión iniciación

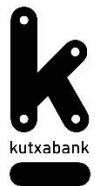


Con toda la ayuda que necesites



Desde este botón tendrás acceso a la operativa más habitual de cada sección





Other recent developments ...to improve customer relations efficiently

Digital
Clients



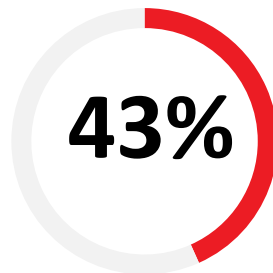
With a Customer
Experience Rating of
4.24 out of 5

Active users
Mobile
Banking

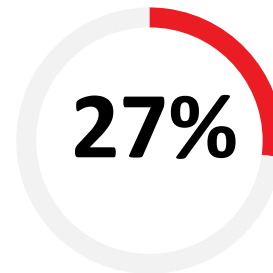


+5.1% YoY

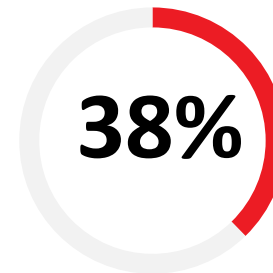
Digital
sales



Digital leads
in mortgages⁽¹⁾



Digital
consumer
finance



Digital customers account for more than 83% of the Group's Margin

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



Annex Glossary

Term	Definition
AM	Asset Manager.
AuM	Assets under Management.
BoS	Bank of Spain.
CBR	Combined Buffer Requirement.
CET1	Common Equity Tier 1.
CoR	Cost of Risk. Ratio of: (Numerator) Total provisions and impairments, (Denominator) total amount of loans and advances to customers and contingent liabilities.
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.
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..
LAA	Loss absorption amount.
LCR	Liquidity Coverage Ratio.
MREL	Minimum Requirement of ELEGible Liabilities.
NPA	Non-performing assets.

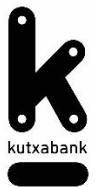




Annex Glossary

Term	Definition
NAV	Net asset value
NGEU	Next Generation EU
NPL	Non-performing loans ratio. Ratio of: (Numerator) Doubtful + Contingent risks; (Denominator) Lending + Contingent risks.
NSFR	Net Stable Funding Ratio.
P2R	Pillar 2 Requirement
Pre-provisioning profit	It is the difference between Gross margin and General expenses and amortisations.
RCA post adjustments	Adjusted recapitalization amount
RWA	Risk Weighted Assets
TA	Total assets
Texas ratio	Ratio of: (Numerator) Non-performing assets; (Denominator) Tangible common equity and loan loss reserves.
TLTRO	Targeted Longer-term refinancing operations
TREA	Total Risk Exposure Amount





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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

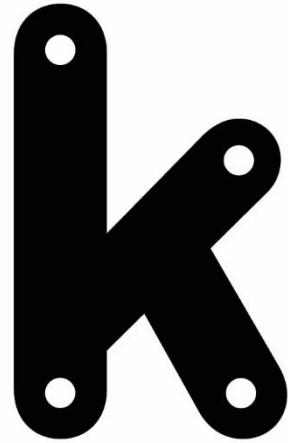
Socially and environmentally sustainable:
• **Positive net impact on carbon footprint**

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

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