

2024 H1

Results presentation

Access to
Main figures



Results
presentations



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Executive summary

1H24 Results

Strong growth in Core revenues

+24%
YoY

supported by both NII and service revenue growth

Customer funds grew significantly

+6.7%
YoY

On-balance deposits expanded keeping costs under control.
Further progress on investment funds share

Performing lending also shows progress

+1%
YoY

With wholesale segments supporting the dynamic while retail segments showing some signs of recovery

Decrease in the stock of NPLs

-EUR13mn
in 2Q24

Pushing down the NPL ratio to 1.3% (-7bps in 2024 so far)

Sustainable banking

EUR1.5bn
in 1H24

Well above internal targets

Executive summary

Expanding our positive environmental and social impact

New sustainable financing⁽¹⁾
EUR1,478mn
 in 1H24

Green mortgage⁽²⁾



23% of new mortgages



Green Consumer loans



x1.8 YoY



Sustainable financing to Corporates



EUR1.1bn
1H24

33% (Green developments)

2% (Different categories)

65% (SLL)

Investment Funds under art. 9



30% Market share⁽³⁾

Last developments in ESG Risk management

Launching of **Kutxabank Eragin**, the new division of the financial institution dedicated to sustainability

Constitution of the **Sustainability Committee** and updating of the **Sustainability Policy**

Updating and **broadening of the Decarbonisation Targets** and **external Verification** of the Carbon Footprint by AENOR

New edition of the **Internal Sustainable Financing Framework** and approval of the Operational Manual for its deployment

Expansion of **Sustainability training** and appointment of **ESG experts** within the **Business areas**

Kick-off of the **microcredit** project

Third edition of the Group's **Climate Report**

ESG Rating

Negligible Risk

Kutxabank in the top 1% of the world's best companies by Sustainalytics



⁽¹⁾ Mortgages, consumer loans and corporate financing. Classification of sustainable products based on internal criteria developed in the Sustainable Financing Framework.

⁽²⁾ Data as at 2Q24. Source: Inverco.

Executive summary

Digital customers

Digital clients account for 64% while digital channels account for almost 48% of sales

Digital indicators

Customer-experience rating

4.34/5

Digital sales in different products

Pension plans
73%

Investment funds
45%

Mortgages
79%

Card business
34%

Consumer
56%

Insurance
17%

Latest developments



Kutxabank store first anniversary



Launching of the financial platform Finnk



Omnichannel Mortgage developments

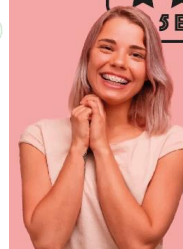


Creation of 'Taktik', an app to promote personal savings

finnk



UNA
CENA
★★★★★
5 ESTRELLAS



tak
tik
Kutxabank

Ahorro fácil
para lo que
se te antoje.

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Financial performance

1H24 results summary

1H24 Net income

EUR **264mn**
+5.4%
YoY

ROTE

9.4%
2Q24

(EUR million)	1H24	1H24-1H23
Net interest income	686.7	34.4%
Net Fees+Ins. business	321.1	5.7%
Core revenues	1,007.8	23.7%
Equity method&Dividends&TI	74.8	-4.5%
Other operating income (OOI)	-92.5	18.5%
Gross margin	990.1	21.5%
Operating expenses	-342.9	8.1%
Pre-provisioning profit	647.2	30.0%
Provisions	-318.2	121.3%
Other income	13.9	57.8%
Tax and others	-79.2	-29.5%
Net income	263.7	5.4%

Significant growth in Core revenues (+24%) sustained by the positive evolution of Net interest income thanks to Euribor evolution and the effective management of liability costs. Fees and commissions also grew by 6%, underpinned by fees from AUM and Insurance business

Includes the payment of the bank tax (second year)

Operating expenses increased but below budget. **Pre-provisioning profit was up 30% YoY** well above internal guidance

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

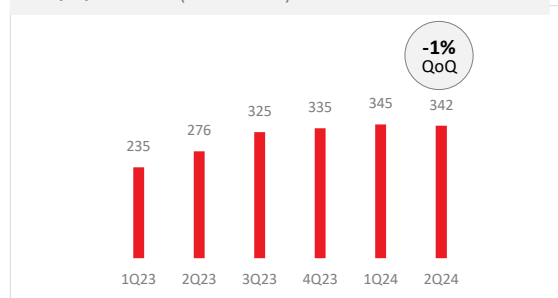
Financial performance

Top-line results

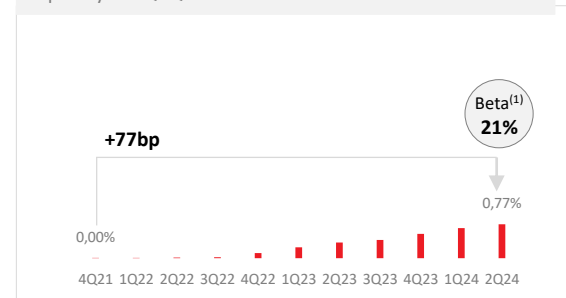
Net interest income (NII)

EUR **687mn**
+34.4%
 YoY

NII QoQ evolution (EUR million)



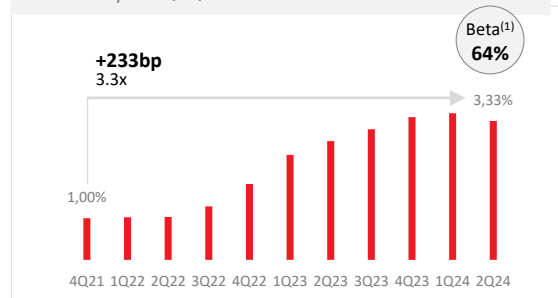
Deposit yield QoQ evolution



Highlights

- Net interest income performed almost flattish in 2Q24 reflecting a very contained cost evolution.
- Loan book yield has increased by 3.3x since 4Q21, with an absolute variation of 233bp over the same period. Beta analysis on the deposit side also shows that appreciation of deposit rates continues to be very limited.

Loan book yield QoQ evolution



Customer spread
256bp
 2Q24

NII sensitivity (annual):

10bp
 movement in
 interest rates

EUR **7-9mn**

⁽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.

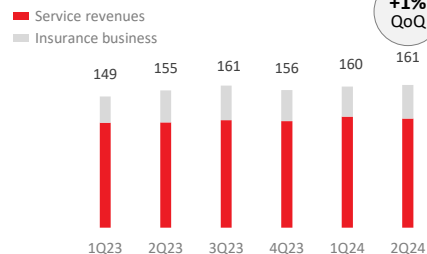
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Top-line results

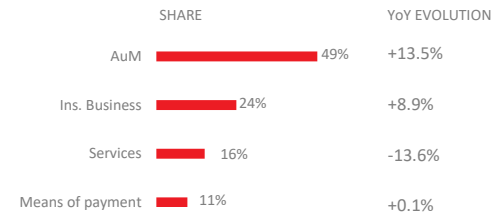
Income from services & Insurance business

EUR **321**mn
+5.7%
 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 nearly 50% of total Services revenues.
- The Group's Insurance business continues to contribute with increasing recurring revenues (+8.9% vs 1H23).



- Good commercial performance enables the insurance business to continue to provide stable and recurring revenues
- High commercial activity with an increase of 5% in the number of policies sold compared to last year



Home
+28%



Auto⁽¹⁾
+20%

⁽¹⁾ Growth shown in this category reflects the variation compared to the internal guidance.

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

Investment
net
fund-takings

EUR **1.3bn**
1H24

- #3 by net fund-takings 2Q24
- c. 10% of total net fundraising of Spanish market
- #4 by AuM in Spain 2Q24

Wealth Management unit

A new Wealth Management unit has been established to enhance growth and coordination in wealth management. It will coordinate the specialised units of personal, private banking and the new Premium banking, and units supplying products like Kutxabank Gestión, Fineco Gestión, Baskepensiones, Kutxabank Empleo, and savings and pension areas within Kutxabank Seguros.



This restructuring strengthens the group's wealth management strategy, targeting customers needing specialised advisory services. The new unit will offer a unified business perspective and introduce specific investment products for high-net-worth clients.

The new unit will manage
> EUR38bn
in customer funds

Financial performance

Top-line results

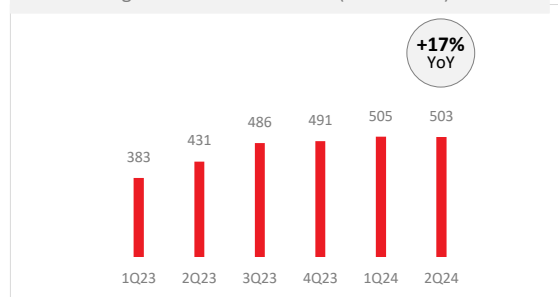
Core revenues

EUR **1,008mn**
+23.7%
 YoY

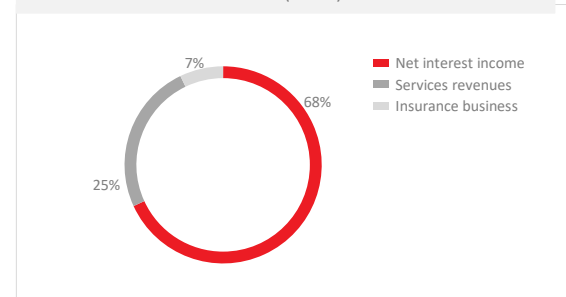
Highlights

- Banking business net revenues were significantly higher YoY supported by 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.

Core banking income QoQ evolution (EUR million)



Income source diversification (1H24)



Financial performance

Other Income and Expenses

Equity method & Dividends

EUR**69**mn
1H24

Other operating income (OOI)

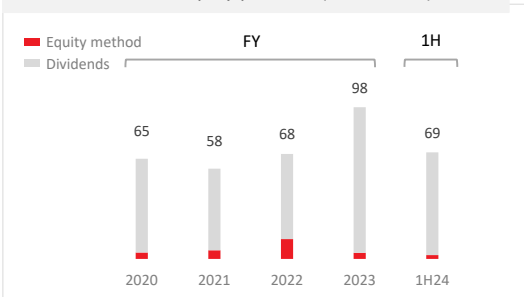
EUR-**93**mn
1H24

Including the register of EUR 71.8 million of the banking tax

Pro-forma P&L summary exBanking tax

(EUR million)	1H24	1H24 Pro-forma
Core revenues	1,008	N/A
Gross margin	990	1,062
Pre-provisioning profit	647	719
Net income	264	>330

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 could 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⁾

35.7%
2Q24

⁽¹⁾ Efficiency ratio excluding Financial transactions. The efficiency ratio would improve up to 34.4% excluding the Banking tax.

Financial performance

Costs

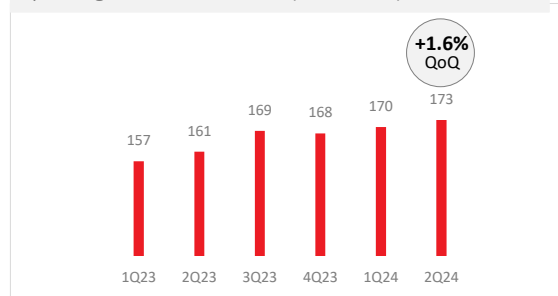
Operating expenses

EUR **343mn**
+8.1%
 YoY

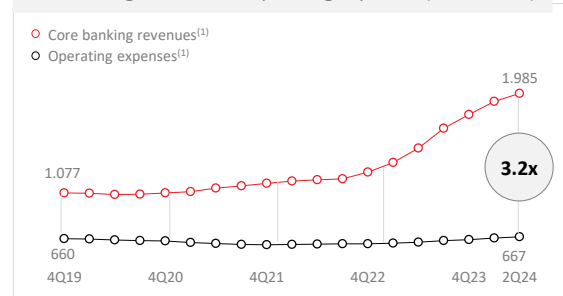
Highlights

- ◆ Administrative expenses were EUR232.7mn, up 8.3% 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 4 and a half 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

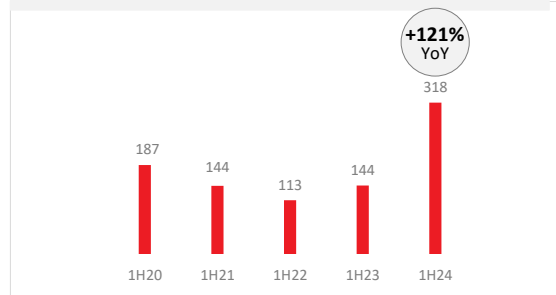
Credit risk impairments and other provisions

EUR **318**mn
+121.3%
 YoY

Highlights

- Significant level of provisioning effort although the cost of pure credit risk remains at ultra-low levels
- 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.

Total provisions & impairments YoY evolution (EUR million)



Total provisions & impairments in detail (EUR million)

Credit risk	2.4
Other provisions&cont.	159.6
Impairments on RE assets	156.1
TOTAL provisions	318.2

CoCR 2bp

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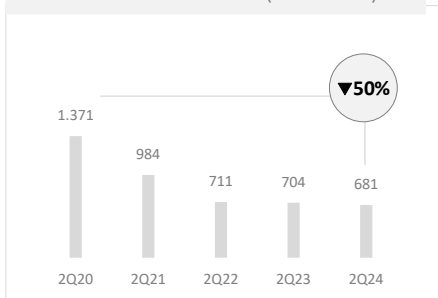
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Asset quality

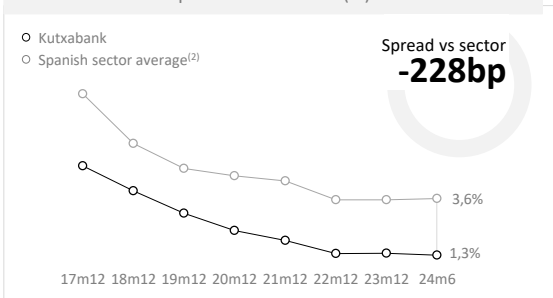
Stock of doubtful loans keeps decreasing

Despite the challenging context **stock of doubtful loans decreases further⁽¹⁾**

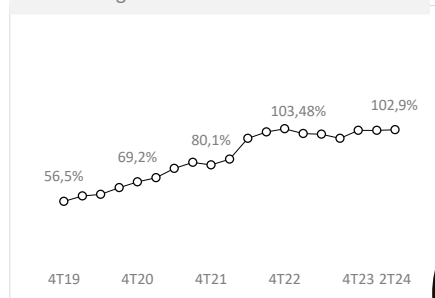
Stock of NPL⁽¹⁾ YoY evolution (EUR million)



Kutxabank relative position: NPL ratio (%)



NPL Coverage level evolution



Total coverage including prudential provisioning of NPE according to ECB calendar

119.3%

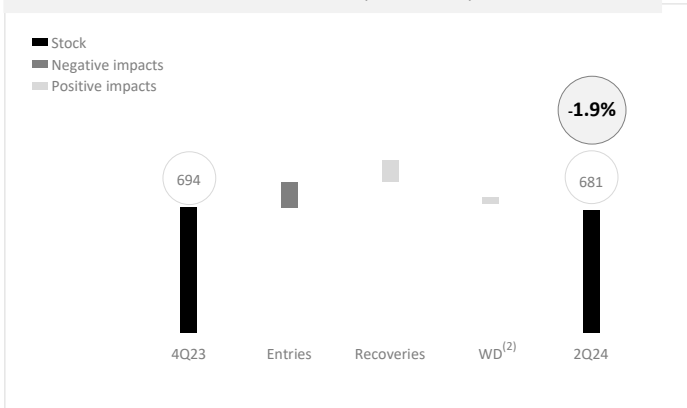
⁽¹⁾ Doubtful loan stock includes contingent risks.

⁽²⁾ Source: BoS.

Asset quality

Stock of doubtful loans keeps decreasing

Doubtful-loan stock⁽¹⁾ evolution in 1H24 (EUR million)



Risk migration: 2Q24 vs 1Q24

Loans and advances by segments and stages

	Q				Q vs Q-1			
	S1	S2	S3	Cov	S1	S2	S3	Cov
Households	94%	4%	1%	72%	0.8%	-0.8%	0.0%	-2%
Non-FIN Corporates	90%	8%	2%	156%	0.4%	-0.1%	-0.3%	+10%
<i>a/w SME</i>	75%	18%	7%	115%	-1.1%	1.6%	-0.5%	+8%
Public sector	100%	0%	0%	ns	0.0%	0.0%	0.0%	-
FIN Corporates	100%	0%	0%	ns	0.0%	0.0%	0.0%	-

⁽¹⁾ Doubtful loan stock includes contingent risks. Contingent risks were down EUR1.4 million in the year.

⁽²⁾ WD: Write-downs.

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Liquidity risk management

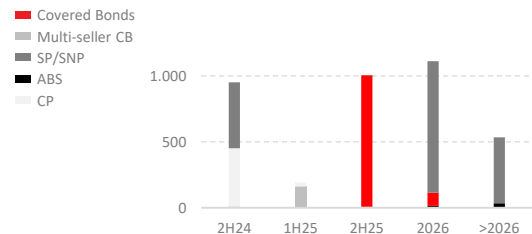
TLTRO repayments

◆ 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

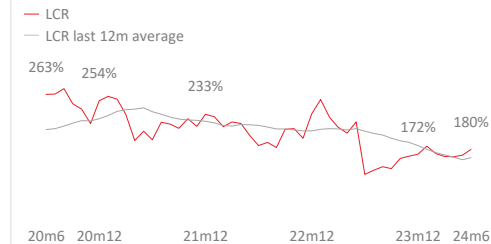
LCR
180%
24m6

Last 12-month average
167%

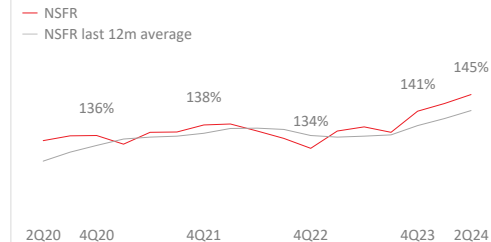
NSFR
145%
2Q24

Last 12-month average
141%

LCR% evolution



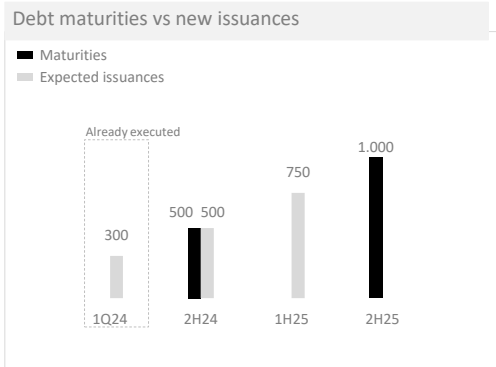
NSFR% evolution



Capital & Funding

Funding plan

- ◆ Funding plans for this and next year are focus on existing debt maturities (EUR1.5bn in total) while monitoring the evolution of the MREL-management buffer.
- ◆ Current expectation for the year-end commercial gap points toward a moderately positive liquidity contribution.
- ◆ Resulting funding needs will be covered predominantly by covered bonds.



Outstanding bail-in-able 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	✓

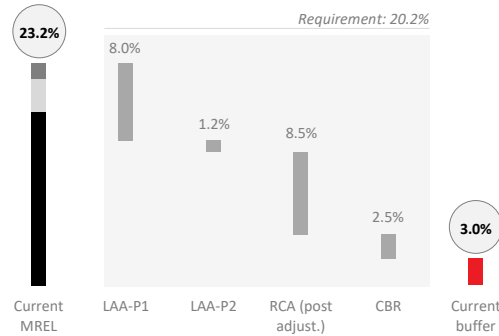
Capital & Funding

MREL position

MREL⁽¹⁾
23.2%
2Q24

20.2%
required

MREL: current position vs requirement



	Amount (EUR million)	% o/TREA
Current position	7,047	23.2%
<i>o/w CET1</i>	5,547	18.3%
<i>o/w SNP</i>	1,000	3.3%
<i>o/w SP</i>	500	1.6%
Loss Absorption Amount	2,795	9.2%
Recapitalisation Amount	2,795	9.2%
RCA post adjustments	2,585	8.5%
2022 MREL target	5,800	19.1%
2024 MREL target	6,140	20.2%
Current excess vs target	907	3.0%

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.

⁽¹⁾ Preliminary figures.

Capital & Funding

Another step further forward

Highlights

- After deducting the 60% pay-out, retained earnings contribute +35bp 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.

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

	Impact vs4Q23	Impact (bp) vs4Q23	
IFRS9	22	7	▼
Prudential provisions	16	5	▲
Deductions	10	3	▲
Valuation adjustments	1	0	
Risk-weighted assets	255	15	▼
Total earnings	264		
<i>o/w retained</i>	<i>105</i>	<i>35</i>	<i>▲</i>

CET1⁽¹⁾
Phased-in
18.3%
2Q24

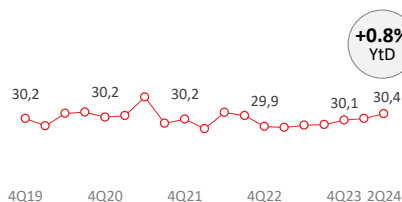
Fully-loaded
CET1 ratio
18.2%
2Q24

RWA calculation
method: STANDARD
100%

CET1 phased-in 2Q24 evolution by components



RWA evolution (Phased-in; EUR billion)



The slight RWA inflation of 2Q24 reflects the growth experienced in the loan portfolio

⁽¹⁾ Preliminary figures.

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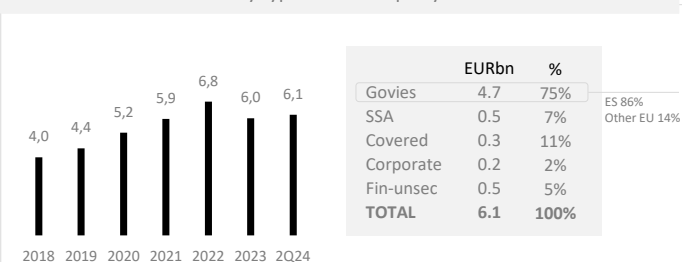
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ALCO portfolio

ALCO portfolio (2Q24)

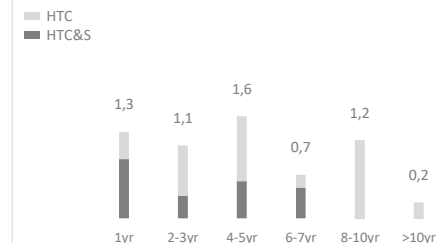
Evolution and breakdown by type of counterparty



Portfolio breakdown

Portfolio	Amount (EURbn)	WAL	Duration
HTC&S	2.31	2.52	1.50
HTC	3.83	5.55	4.00
Blended	6.14	4.31	3.13

Maturity profile



Unrealised losses⁽¹⁾ to RWA
17bp
2Q24

ALCO portfolio size to CET1 capital
1.1x
2Q24

⁽¹⁾ Without the tax effect, the estimated gross impact would be 24bp.

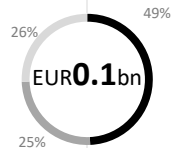
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NPAs in detail



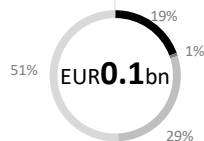
Floreclosed asset (FA) breakdown by origin (2Q24; EUR million)

	Gross	Provisions	Cov%	NAV
Developers	829.7	765.2	92.2%	64.5
Residential	91.0	58.1	63.8%	32.9
Others	89.8	56.4	62.8%	33.5
TOTAL	↓ 1,010.5	↑ 879.7	87.1%	↓ 130.8



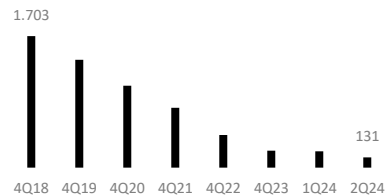
FA breakdown by type of asset (2Q24; EUR million)

	Gross	Provisions	Cov%	NAV
Finished properties	78.6	53.3	67.8%	25.3
Ongoing developments	70.2	69.2	98.5%	1.0
Land	680.8	642.7	94.4%	38.1
Others	180.8	114.5	63.3%	66.4
TOTAL	1,010.5	879.7	87.1%	130.8

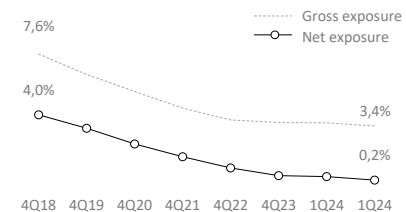


Total NPA: FA+NPL (2Q24; EUR million)

	Gross	Provisions	Cov%	NAV
Total NPLs	681.2	701.0	102.9%	0.0
Foreclosed assets	1,010.5	879.7	87.1%	130.8
TOTAL	1,691.6	1,580.7	93.4%	111.0



NPA% YoY evolution



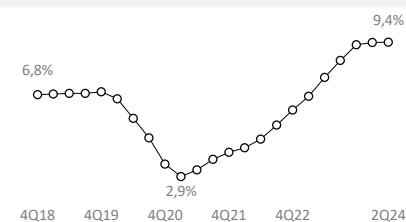
Texas ratio
21.7%
2Q24

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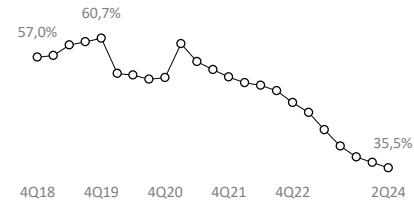
Key indicators

	2Q24	2Q23	2Q24 vs 2Q23	1Q24	2Q24 vs 1Q24
ROE	8.68%	7.13%	156 bp	8.68%	0 bp
ROTE	9.39%	7.68%	170 bp	9.38%	1 bp
ROA	0.82%	0.63%	18 bp	0.81%	1 bp
RORWA	1.99%	1.39%	60 bp	1.73%	26 bp
Cost to Income	35.55%	42.96%	-741 bp	36.62%	-107 bp
LCR	179.85%	142.12%	26.5%	168.89%	6.5%
NSFR	144.69%	137.97%	4.9%	142.82%	1.3%
LtD	91.30%	96.09%	-5.0%	92.85%	-1.7%
# of customers	2,315,635	2,334,986	-0.8%	2,317,371	-0.1%
# of employees	5,117	5,023	1.9%	5,071	0.9%
# of branches	663	696	-4.7%	677	-2.1%
# of ATMs	1,372	1,447	-5.2%	1,385	-0.9%

ROTE% evolution



Cost to income% evolution

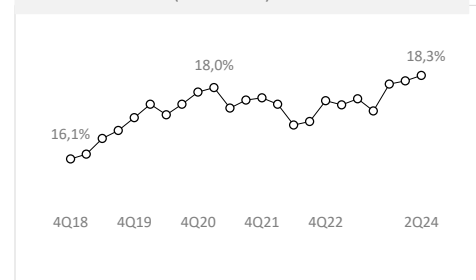


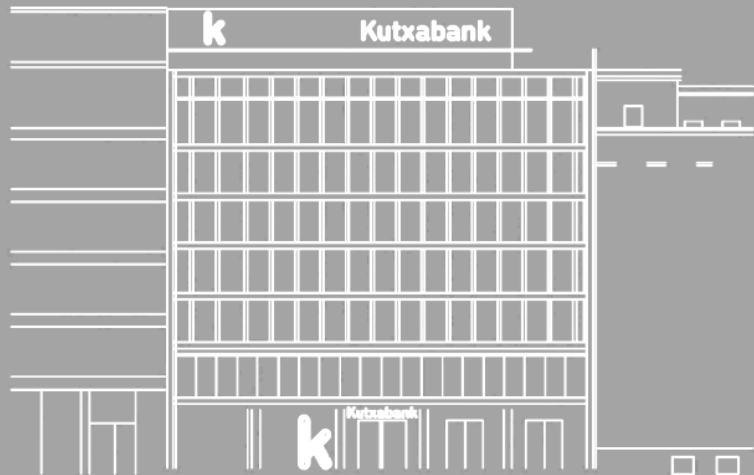
Annex

Solvency

	2Q24	2Q23	2Q24 vs 2Q23	1Q24	2Q24 vs 1Q24
Capital	2,060.0	2,060.0	0.0%	2,060.0	0.0%
Reserves	3,853.0	3,662.8	5.2%	3,854.1	0.0%
Retained earnings	105.4	89.1	18.3%	48.0	119.6%
Prudential Coverage of NPE	-111.8	-161.2	-30.6%	-121.5	-7.9%
Minority interests	0.3	2.6	-89.8%	0.3	4.0%
Valuation adjustments	512.0	479.8	6.7%	489.0	4.7%
Intangible assets	-406.3	-381.4	6.5%	-394.8	2.9%
Deductions	-465.8	-466.5	-0.2%	-464.6	0.3%
CET I capital	5,546.9	5,285.2	5.0%	5,470.6	1.4%
Tier I capital	5,546.9	5,285.2	5.0%	5,470.6	1.4%
Total capital	5,546.9	5,285.2	5.0%	5,470.6	1.4%
RWA	30,381.7	29,930.7	1.5%	30,194.6	0.6%
<i>o/w Credit risk</i>	27,634.2	27,533.0	0.4%	27,447.6	0.7%
CET I ratio	18.26%	17.66%	60 bp	18.12%	14 bp
Tier I ratio	18.26%	17.66%	60 bp	18.12%	14 bp
Total Capital ratio	18.26%	17.66%	60 bp	18.12%	14 bp
Leverage ratio	Nd	8.03%	-	8.28%	-
<i>Pro-forma: CET I ratio fully loaded</i>	18.21%	17.61%	60 bp	18.06%	15 bp
<i>Pro-forma: Total Capital fully loaded ratio</i>	18.21%	17.61%	60 bp	18.06%	15 bp
<i>Pro-forma: Leverage fully loaded ratio</i>	Nd	8.00%	-	8.25%	-
MREL	23.19%	24.34%	-115 bp	23.09%	11 bp

CET1% evolution (Phased-in)





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