



kutxabank
February 2024

Fixed Income Investor Presentation

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Kutxabank Group **overview**

A singular case in the Spanish financial system

100% owned by three Banking Foundations promoting a firm sustainable approach to banking

Proceeds from Kb's profitability serve the long-term viability of the business by strengthening the bank's solvency...

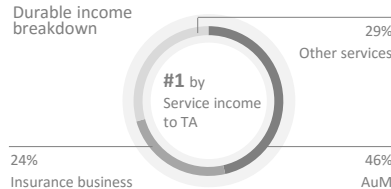
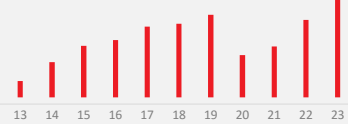
...and boosting socially-cohesive and economically efficient projects

Dividend distribution⁽¹⁾

EUR1.6bn
since 2012

Solid and sustainable business model with a meaningful income diversification profile

Sustained growth only disrupted by the covid outbreak
Net income (EUR million)



Remarkable financial strength

CET1
Phased-in
18.0%

Strong solvency based on 100% core capital and very healthy liquidity position even after completing the TLTRO exit strategy

Liquidity regulatory ratios

LCR
172%
23m12

NSFR
141%
23Q4

Outperforming asset quality and Low-risk profile

P2R⁽²⁾
1.2%

#1 in Spain
#3 all across Europe

Highly conservative risk standards and consistently prudent management policies reflected in one of the lowest capital requirements in Europe

Asset quality metrics

NPL
1.4%
Spanish lowest

Cov⁽³⁾
102%
Spanish highest

Texas
23%
Best-in-class

CET1 MDA distance **10.4%**

Total capital MDA distance **6.3%**

⁽¹⁾ Kutxabank is the only bank whose dividends serve entirely for the purpose of carrying out activities and projects of the shareholders' respective Social work.

⁽²⁾ P2R: supervisory Pillar II requirement assigned to Kutxabank Group according to the latest ECB's SREP (Supervisory Review and Evaluation Process) decision regarding capital requirements applicable from 1 January 2024 onwards.

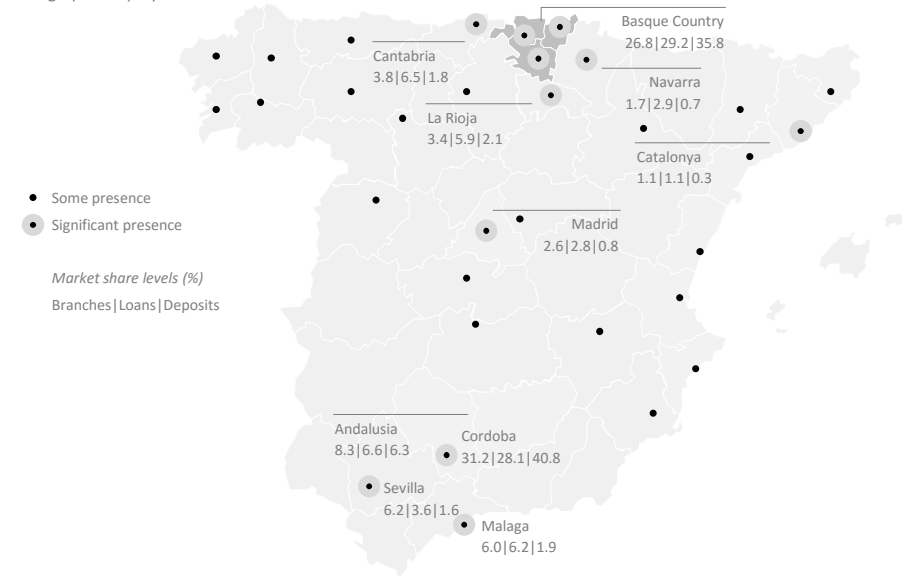
⁽³⁾ Total coverage including prudential provisioning of NPE according to ECB calendar stands at 121%.

Kutxabank Group **overview**

Local customer proximity-oriented model



Geographic deployment



Kutxabank Group **overview**

Main figures

kutxabank

A unique corporate model that returns 100% of its profits to society

170 years creating economic and social value through a distinctive way of doing.

Structural features

Total assets (EURbn)	63.7
Customer loans (EURbn)	46.5
Customer funds (EURbn)	82.4
Turnover (EURbn)	129.6
Equity (EURbn)	6.0
Employees	5,053
Branches	685
Customers (million)	2.3
Digital customers (%)	63.2
ATMs	1,401

Income statement

Core revenues (EURbn)	1.8
Net attributable income (EURbn)	0.5
NII/TA (%)	1.81
Service fees/TA (%)	0.96

KPIs/ KRIs

Cost to Income	37.7
RoA	0.8
RoTE	9.3
RoOCR	14.5
NPL	1.39
Coverage	102.4
CET1 Phased-in Fully-loaded	18.0 17.9
TC Phased-in Fully-loaded	18.0 17.9
LR Phased-in Fully-loaded	8.3 8.3
MREL Requirement	23.0 20.2
LCR	172.3
NSFR	141.2
LtD	94.7

Ratings⁽¹⁾

Moody's | Fitch | DBRS
Sustainalytics

A3 | A- | A
Negligible Risk



All data as of December 2023. Income statement figures and KPIs based on results refer to whole year 2023.

⁽¹⁾ Credit rating for Senior unsecured debt instruments and Long Term Bank deposits.

Kutxabank Group **overview**

Balance sheet

Total assets

EUR **64**bn
4Q23

Assets			
Cash&CBs	7.6%		
Loans and advances	73.0%		
	EURbn	%	
Households	31.8	68%	
SME	2.7	6%	
Non-FIN Corp	6.2	13%	
Public sector	5.2	11%	
FIN Corporates	0.5	1%	
TOTAL	46.5	100%	

Debt instruments	10.5%
Equity investments	2.5%
Tangible assets	1.2%
Other assets	5.2%

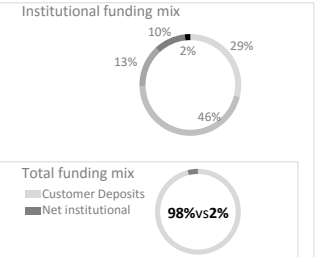
Liabilities

Liabilities			
Equity	10.2%		
Customer deposits	77.1%		
	EURbn	%	
Retail & SME	39.3	80%	
Non-FIN Corp	3.5	7%	
Public sector	5.3	11%	
FIN Corporates	1.2	2%	
TOTAL	49.3	100%	

	EURbn	%
Shareholders' equity	6.0	92%
o/w Capital	2.1	32%
o/w Reserves	3.9	60%
Other comprehensive income	0.5	8%
Minority interests	ns	ns
Total Equity	6.5	100%

Institutional funding

	EURbn	%
Covered bonds	1.3	29%
o/w multi-seller CB	0.2	4%
SP/SNP	2.0	46%
ECB Funding	0.6	13%
CP	0.4	10%
ABS	0.1	2%
Subtotal Institutional	4.4	100%
Excess deposits on CBs	3.5	
Net institutional funding	0.9	
Pro-forma ECB net position	-2.9	



ECB funding
0.9%

DCM Funding
6.2%

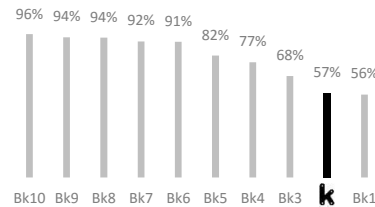
Other liabilities
5.6%

Kutxabank Group **overview**

ALCO portfolio

Following the recent sharp increase in market interest rates, banks could have suffered investment losses on their fixed income portfolios, especially with respect to its Hold to Maturity portfolios where such losses are not crystallized until the bonds are sold.

Weight of Kb's HTC portfolio is one of the lowest in the sector⁽¹⁾, combining a moderate duration with a highly conservative credit profile



Therefore, Kb's unrecognized losses from the HTC portfolio are certainly modest

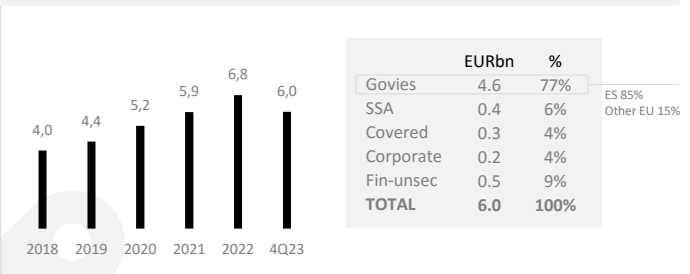
The smallest unrealized losses in the Spanish banking sector

Unrealised losses⁽²⁾ to RWA
10bp
4Q23

ALCO portfolio size to CET1 capital
1.1x
4Q23

ALCO portfolio (4Q23)

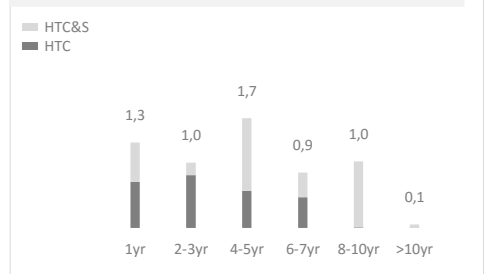
Evolution and breakdown by type of counterparty



Portfolio breakdown

Portfolio	Amount (EURbn)	WAL	Duration
HTC&S	2.57	2.69	1.54
HTC	3.38	5.07	3.77
Blended	5.95	4.04	2.81

Maturity profile



⁽¹⁾ Own elaborated based on data publicly disclosed by entities. Sample of banks: Santander, BBVA, Caixabank, B. Sabadell, Unicaja, Bankinter, Abanca, Ibercaja and Cajamar. Data as of September 2023 for all the sample including Kb.

⁽²⁾ Without the tax effect, the estimated gross impact would be 13bp.

Kutxabank Group **overview**

Relative position

Most solvent bank in Spain.

Kutxabank stands out for consistently being the most solvent banking group in Spain. And it holds this position without bailouts or transfers of problematic assets, and without having raised capital or made use of internal levers to generate it.

Moreover, it also leads the rankings⁽¹⁾ in other areas

Kutxabank ranks Top 3 in all these metrics

Balance sheet

Loans to TA
Deposits to TA

P&L

NII to Total assets (TA)
Fees to TA
Core revenues to TA
Net income to TA

Asset quality

NPL ratio
NPL coverage
NPE to TA
Texas ratio
CoCR

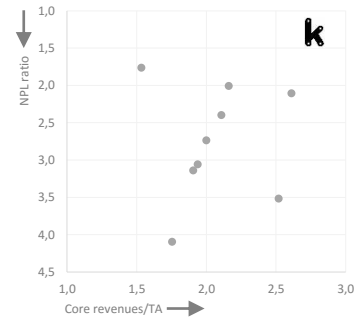
Solvency

CET1
Total capital
Leverage ratio

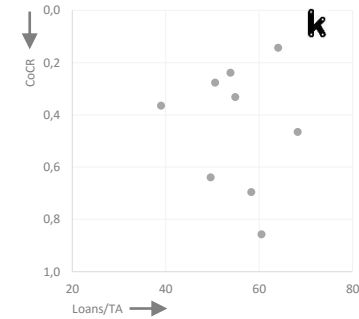
Profitability

ROA
Cost to income

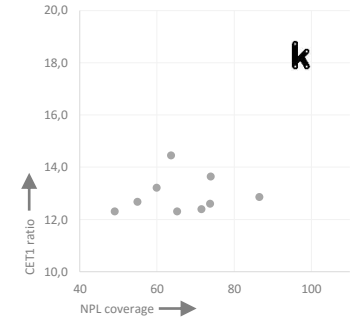
Core revenues/TA & NPL ratio



Loans/TA & CoCR



Capital (CET1 ratio) & NPL coverage

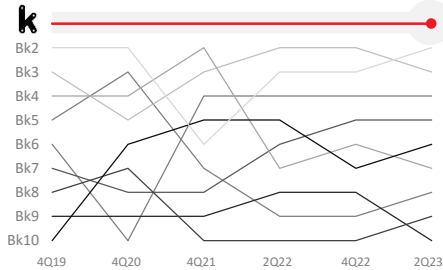


⁽¹⁾ Rankings are based on public information from the 10 significant banks in Spain directly supervised by the ECB. Data as of December 2023 except for Ibercaja (latest available data as of 3Q23).

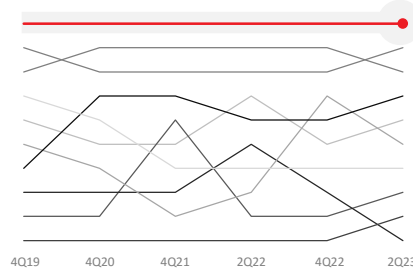
Kutxabank Group **overview**

2023 EU-wide EBA Transparency Exercise

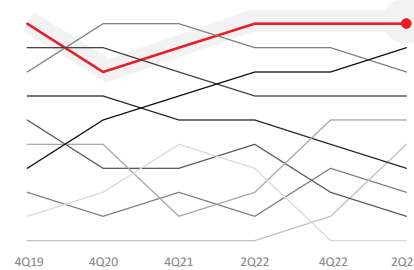
#1 by
FL CET1%



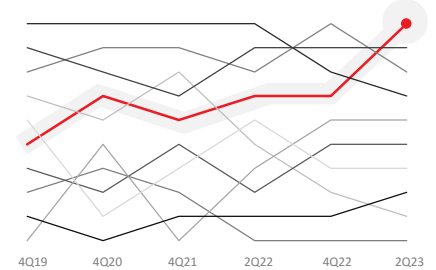
#1 by
Leverage%



#1 by
NPL%



#1 by
Efficiency%



Kutxabank Group **overview**

2023 EU-wide Stress Test

Outperforming asset quality and low risk profile.

In the context of the SREP, the EBA and the ECB have developed a new STRESS TEST (ST) exercise in 2023 for significant European financial institutions

The EBA has conducted a ST on 70 banks (+20 vs 2021). In addition, the ECB has conducted the same exercise for smaller institutions (41)

Kutxabank falls within the scope of the EBA (granular publication of results through detailed transparency templates vs ECB scope with smaller data sets by ranges)

Additionally, in the context of the 2023 EU-wide ST, the EBA has carried out an additional analysis over the bonds portfolios held by financial entities

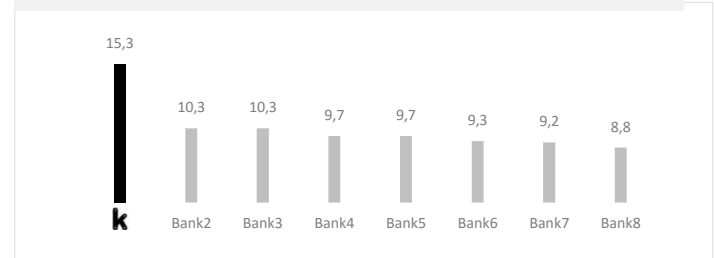
Highest
**FL-CET1
in Spain**
15.3%
Adverse (2025)

The only entity exceeding the European average

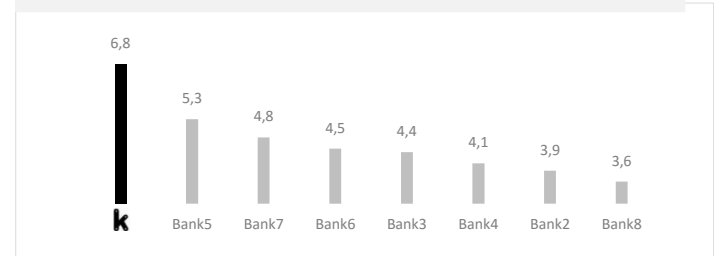
The most improved capital depletion vs 2021 exercise

The smallest unrealized losses in the debt portfolio among Spanish Entities⁽¹⁾

Adverse scenario: CET1 *fully-loaded* 2025, Spanish banking sector



Adverse scenario: Leverage ratio *fully-loaded* 2025, Spanish banking sector



⁽¹⁾ This statement is based on the information that can be obtained from the standalone data collection exercise carried out by the ECB, together with the EBA, on the unrealized losses in banks' bond portfolios measured at amortised Cost. Its results are not part of the EBA/SSM EU-wide stress test.

Kutxabank Group **overview**

A model of economic, social and environmental sustainability

ESG criteria integrated into the mission, vision and values of an entity with a very solid, reliable and successful business model

Commitment to ESG is an integral part of our understanding of the banking business

Mission



Kutxabank promotes a sustainable creation of economic and social value, through an advanced, innovative and high-quality financial offer

Vision



Reference commercial bank.
Being the main promoter of the financial ecosystem of its home markets



Strong team.
Pride of belonging to a project committed to professional equality and development, competing to attract and retain local talent



Trustworthy.
Thanks to the close and transparent relationship we have with our customers, our main stakeholder



Socially responsible.
Commitment to maximise the positive economic, social and environmental impact of our activities

Values

Proximity

Easiness

Prudence
and
Solvency

Transparency

Commitment

Innovation

Sustainability

Kutxabank Group **overview**

A model of economic, social and environmental sustainability

Commitment to ESG is an integral part of our understanding of the banking business



Kutxabank Group **overview**

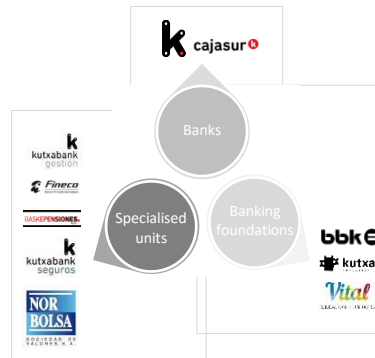
Impact assessment: looking for the *optimal*

Expenses, investments, salaries, taxes, loans and credits... They all have an economic impact that generates wealth, but at the same time they also have an environmental impact. The *optimal* point is to achieve the *maximum economic impact with the minimum environmental impact*

Since 2018 Kb develops not only an **economic impact analysis** of its activity but also an **environmental impact assessment** of its corporate and lending activities

The study⁽¹⁾ also includes elasticity concepts to understand which sectors and investments are more efficient in terms of economic and environmental impact

Scope of application



Outcome.

In relative terms, Kutxabank's corporate activity generates 0.15% of the Spanish GDP while causing less than 0.04% of the total environmental impact.

Lending activity supports 2.84% of the Spanish GDP, almost in line with the environmental impact, albeit focused on non-hazardous waste. The significance of the mortgage portfolio in the bank's balance sheet makes the weight of permanent non-hazardous wastes –cement in housing- relevant.

	CO ₂				
tn/m3	GHGs	Other gases	Hazardous waste	Non-hazardous	Water
Corporate activity	82,486	1,298	1,127	45,810	7,573
o/w Direct	581	26	29	491	863
o/w Indirect/Induced	81,906	1,272	1,099	45,319	6,710
Financing activity	7,074,396	82,911	73,383	5,724,875	297,669
TOTAL	7,156,882	84,209	74,510	5,770,685	305,242
ENVIRONMENTAL IMPACT (YoY evolution) ↑	+11%	+14%	+12%	+2%	+23%
ENVIRONMENTAL IMPACT (YoY evolution) ↑↑	GDP +23%	Employment +5%	Taxes +11%		

Growth in lending activity implies an increase in our environmental impact. However, our **greatest economic impact increases bank's positive externalities.**

⁽¹⁾ Elaborated by the Economic Forecasting Center Association (CEPREDE).

Kutxabank Group **overview**

A model of economic, social and environmental sustainability

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

Leading financial services institution in the Basque Country

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

Corporate activity
1.3%
of GDP

Financing activity
13.1%
of GDP

Contributing to the maintenance of 140,000 jobs

Taxes

More than EUR220 million in taxes

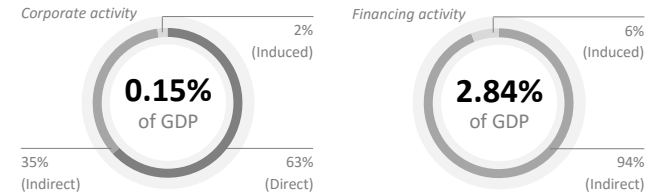
Helping to sustain more than EUR4bn of Basque Country's revenues⁽¹⁾

...but also in Andalusia and Spain

being one of the relevant companies in generating and sustaining added value in the economy

Impact on GDP.

Kutxabank generates the 0.15% of Spanish GDP, while helping to sustain a 2.84% of it. This percentage rises to 14% in its operating areas



Taxes.

Standing out as one of the companies with the highest tax contribution
More than EUR480 million in taxes
Helping to support more than EUR15bn of the total Spanish tax collection

⁽¹⁾ The Basque Government, through the regional governments of the Historical Territories, has the authority and competence to regulate, establish and manage the tax system within its territory.

Kutxabank Group **overview**

With a well-developed ESG governance framework

List of manuals and policies on ESG-related subjects

Sustainability Policy	Data protection policies
Sustainability Plan	Ethical Whistleblowing Channel
CSR Code	Adverse Impact Policy for Investment Decisions
Environmental policy	Code of Conduct
Sustainability Risk Policy in the area of customer service provision	Language policy
Sector Policy	General Conflict of Interest Policy
Risk Appetite Framework	Outsourcing of Services and Functions Policy
Internal Governance Framework for Risk Management	Governance and Product Oversight Policy
Green Bond Framework	Internal Code of Conduct in the Securities Market Scope
Internal Climate Stress Testing Framework	Policy on the Provision of Banking Services
Sustainable Financing Framework	Prevention of money laundering and terrorist financing framework
Corporate Framework for Remuneration Policy	Fiscal strategy
Occupational risk prevention plan	
Training plan	
Equality plan	
Policy on representation target for the underrepresented sex on the Board of Directors	
Competence assessment process	

Public disclosure.

Kutxabank has published its CSR report since its origins, as did the savings banks –bbk, kutxa and Vital- before it.

This publication, which has been voluntary for years, verified by an independent expert and carried out under GRI Standards, has now become a legal requirement.

Its content provides details of the environmental impact of Kutxabank's activity.

From 2022 Kutxabank also publishes the Climate Report (TCFD) in which the company reflects out its commitment to Sustainability, and its strategy, organizational structure and procedures for climate risk management.



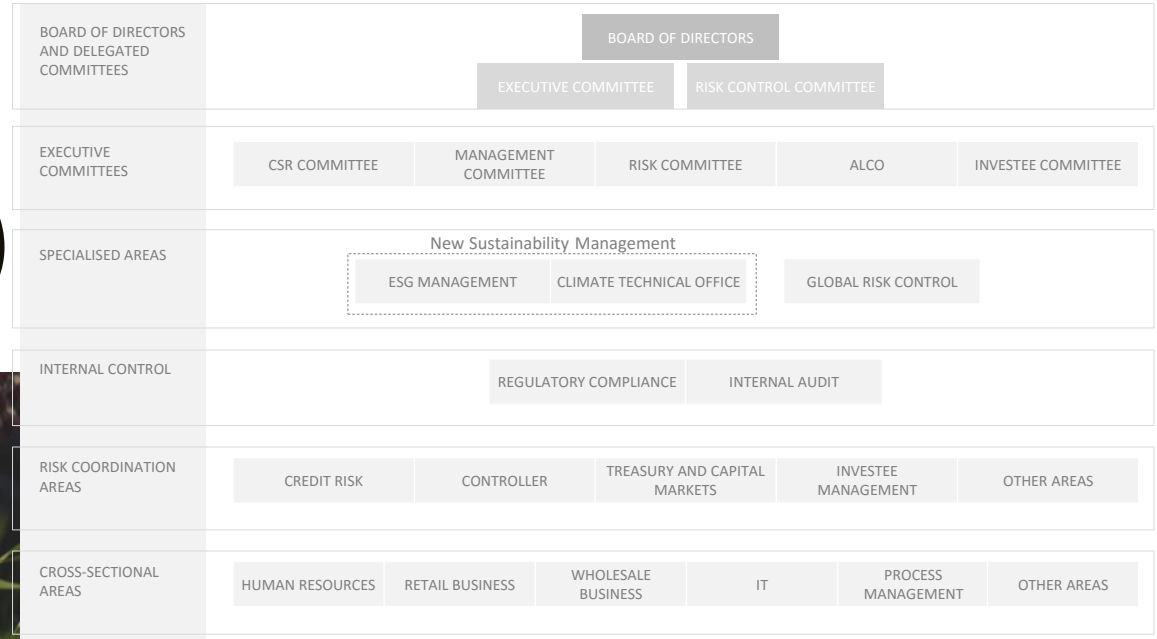
Kutxabank Group **overview**

And a well-defined governance and organizational structure

A new Sustainability Management in the core of the organizational structure

Since 2021, variable remuneration applied to senior management is linked to the promotion of ESG actions

Likewise, a complementary long-term variable remuneration plan has also been approved, which is linked to the evolution of the company's value in a multi-year framework, thus aligning it with the interests of shareholders in the medium



Kutxabank Group **overview**

Progress in Sustainability

The Group has advanced in its Sustainable Banking model, being pioneer in different aspects related to Sustainability and ESG factors



⁽¹⁾ CNMV: *Comisión Nacional del Mercado de Valores* (the National Securities Market Commission) is the body responsible for the supervision and inspection of Spanish securities markets and the activity of all those involved in them.

⁽²⁾ Ihobe: Public Environmental Management Company of the Basque Government.

Kutxabank Group **overview**

Main lines of action in the ESG area

Main lines of action included in the 2022-24 Strategic Plan



Reduction of corporate environmental impact and that of the credit and investment portfolio

Measuring impact and setting transition targets

Climate Risk Roadmap and Stress Testing

Deployment of climate taxonomy and reporting



Equality and work-life balance

Inclusion and financial education

Corporate volunteering

Entrepreneurship

Supplier selection based on ESG criteria and *Km0* localization

Language management



Management of under-represented gender presence

Strengthening of the ESG Governance framework

Kutxabank Group **overview**

2024 *big targets*

Channelling Sustainable financing

EUR**5**bn
2022-24

Maintaining positive carbon footprint

Investment Funds under SRI criteria

100%

Sustainable Action Framework Development

Net Zero 2050 commitment

Transitional targets set

Maintaining a balanced economic and environmental impact

kutxabank

Ambitious goals to make a decisive contribution to a transition towards a more sustainable model

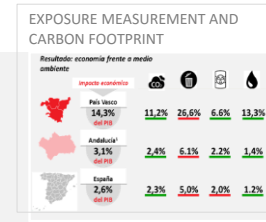
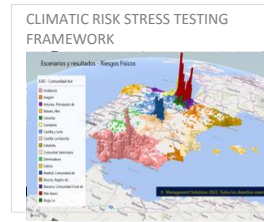


Kutxabank Group **overview**

Specific climate initiatives deployed under the plan

- 1 Synthetic indicators of C&E risks
- 2 Performance of the ECB Climate Stress Test
- 3 Calculation of the company's own and financed Carbon Footprint
- 4 Measurement of the level of sustainability of the balance sheet and definition of the sectoral heat map
- 5 Progress on taxonomy and regulatory climate reporting
- 6 Capture of climate data (EPC, physical risks, ESG rating of companies, etc.)
- 7 Pilots with independent experts to measure prospective physical risks in different science-based scenarios up to 2100 and their impact on PD and LGD
- 8 Progress on the C&E risk roadmap and training for all staff

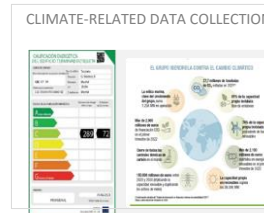
Initiatives to improve the management model for mitigating the impact of climate risks



DECARBONIZATION TARGETS AND POLICY BY BUSINESS SECTORS

El análisis de escenarios basados en la ciencia y el compromiso de nuestras contrapartes nos permiten fijar objetivos intermedios

SECTOR / CONTRA	INDICADOR DE SOSTENIBILIDAD	ALICUOTA DE INVERSIÓN	SECTOR	INDICADOR	ALICUOTA 2024	INDICADOR 2025	INDICADOR 2030
Careros	NO2 (EUROPA)	10%	NO2 (EUROPA)	10%	10%	10%	10%
Alquileres	NO2 (EUROPA)	10%	NO2 (EUROPA)	10%	10%	10%	10%
Oil & Gas	NO2 (EUROPA)	10%	NO2 (EUROPA)	10%	10%	10%	10%



MATERIALITY ANALYSIS AND RISK MAP

Impacto de las actividades	Impacto de las actividades	Impacto de las actividades	Impacto de las actividades	Impacto de las actividades	Impacto de las actividades
Impacto de las actividades	Impacto de las actividades	Impacto de las actividades	Impacto de las actividades	Impacto de las actividades	Impacto de las actividades

SUSTAINABLE FINANCING FRAMEWORKS

Clasificación de actividades sostenibles Kutxabank

Actividad	Clasificación
Actividad	Clasificación

Kutxabank Group **overview**

Milestones for mitigating C&E risks

In order to deploy the lines of work defined in the SP 2022-24 the bank has made progress in four strategic milestones within its C&E risk mitigation and action plan

These milestones have a relevant impact on the adaptation of the Entity's strategy and business model in relation to C&E risks

1 Policy by sectors

Identification of the sectors and activities that are potentially most harmful to the environment and society and where the Entity wants to limit its exposure

2 Decarbonisation targets

Setting intermediate decarbonization targets in the funding portfolio for key sectors/portfolios, with the objective of aligning portfolios with the Paris Agreement targets

3 Sustainable financing

Definition and clarification of internal criteria for the identification and classification of exposures

4 C&E Stress Testing

Development of the Internal C&E Stress Testing Framework. Methodological sophistication and robustness

Kutxabank Group **overview**




Strengthening Climate risk management

Intermediate decarbonisation targets set.

The preliminary setting of interim decarbonisation targets for the financing portfolio allows Kutxabank to advance in its commitment to sustainability and in the deployment of strategies to mitigate potential climate and environmental risks to its business model.

Starting with the sectors with the greatest impact and where there is a public commitment to decarbonization by the counterparties, and including new sectors in the future as more information becomes available

Interim decarbonisation targets by portfolio:

Portfolio/ Sector	Units	Target reduction	
 Mortgages	kg CO2/m2	▼10%	The Entity has also determined a series of KPIs and KRIs on climate issues, deployed at portfolio level
 Energy	kgCO2eq/MWH	▼30%	
 Oil&Gas	ktCO2eq/M€	▼30%	

The bank will put in place the necessary mechanisms to ensure compliance with the intermediate decarbonisation targets set and will continue to work on their development.

Achievement of the targets set by the Entity is to a large extent subject to the fulfillment of the specific objectives of the counterparties. The Entity will closely monitor the commitments disclosed by the clients. As more information becomes available, the Entity will expand the definition of decarbonisation targets to more sectors.

Specific clauses may be included to encourage clients to comply with their publicly announced decarbonisation targets. In addition, the Entity has approved an exclusion policy document.

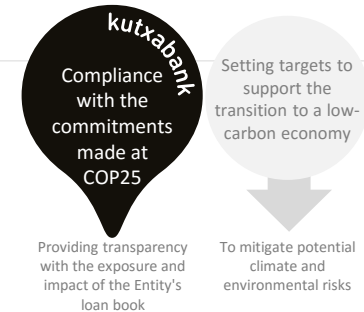


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**Financial
performance**



**Asset
quality**



**Capital &
Funding**



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Financial figures in detail**

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**Financial
performance**



**Asset
quality**



**Capital &
Funding**



Annex

Financial performance

2023 Results



**Strong growth
in core
revenues**

+41.3%
YoY

**Progress in
market share
of core
businesses**



**Cost of risk
remains at very
low levels**

keeping the best
relative position
in asset quality
metrics

CoCR

7bps
FY23

**Leading
efficiency
levels**

#1 in Spain
according to 2023
EU-wide EBA
Transparency
Exercise

C-to-I⁽¹⁾

37.7%
4Q23

**Business
sustainability
further
enhanced**

with increased
provisioning and an
improved capital
position

CET1

18.0%
4Q23

**Expanding our
positive
environmental
and social
impact**



⁽¹⁾ Cost-to-Income: 4Q23 data shows the efficiency level considering a twelve-month period. The efficiency ratio would improve up to 36.7% excluding the Banking tax.

Financial performance

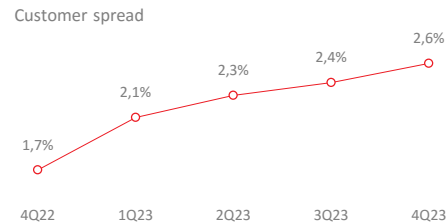
Strong growth in core revenues

Core Revenues⁽¹⁾
EUR 1,792mn
 +41% YoY

Net interest income (NII)

EUR 1,172mn
+82.9% YoY

NII was 83% higher YoY for FY23 reflecting the successful balance sheet management in the face of interest rate increase, benefiting from an optimal positioning for such rate increases and cost control on the liability side of the balance sheet



Income from services⁽²⁾

EUR 620mn
+1.4% YoY⁽³⁾

Progress in service revenues, with a positive contribution from the asset management business, means of payment and the insurance business. The latter grew by 4.9% YoY on a comparable basis after the application of IFRS17.

⁽¹⁾ Core revenues: Net interest income (NII) plus Income from services, including the Insurance business activity.

⁽²⁾ Income from services includes the Insurance business activity.

⁽³⁾ YoY evolution is calculated considering the portion of income from insurance business activity on a comparable like-for-like basis under IFRS17.

Financial performance

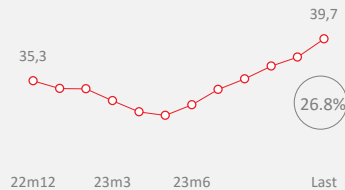
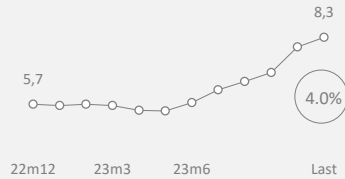
Progress in market share of core businesses



Residential mortgages.

New production market share

- All across Spain
 - Basque Country
- X.x% Market share of branches

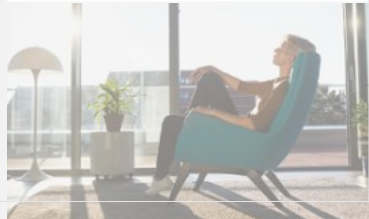


Residential mortgage production rebounds **+2.5%** YoY

Residential mortgages

EUR**3.3bn** FY23

>80% of new mortgages are made with Premium and Premium Plus clients



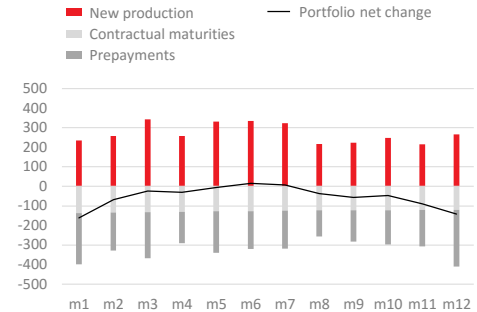
New production is developing soundly although historically high prepayment levels persist

The acceleration in mortgage repayments due to the rise in Euribor are restraining the growth in volumes

Pressure on margins continues as well

Kb's flexible pricing strategy focused on value preservation and customer management

Residential mortgage book: monthly evolution during the year (EUR million)

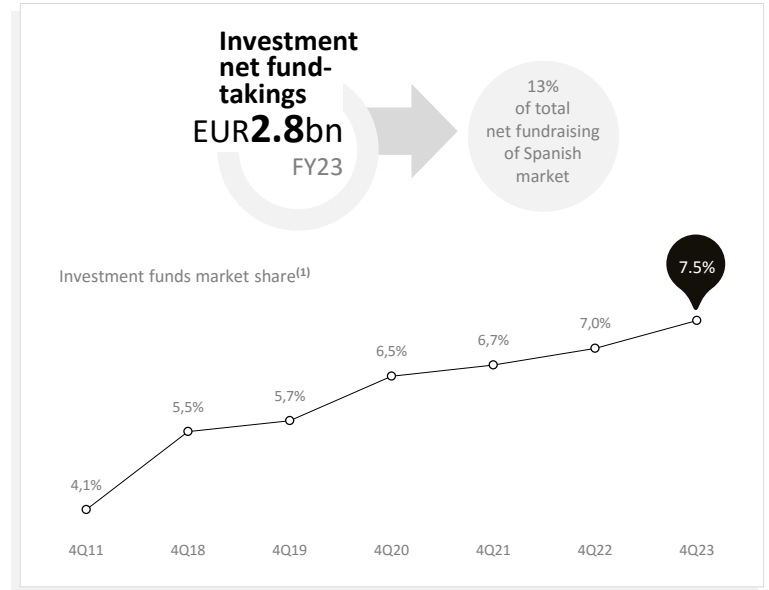
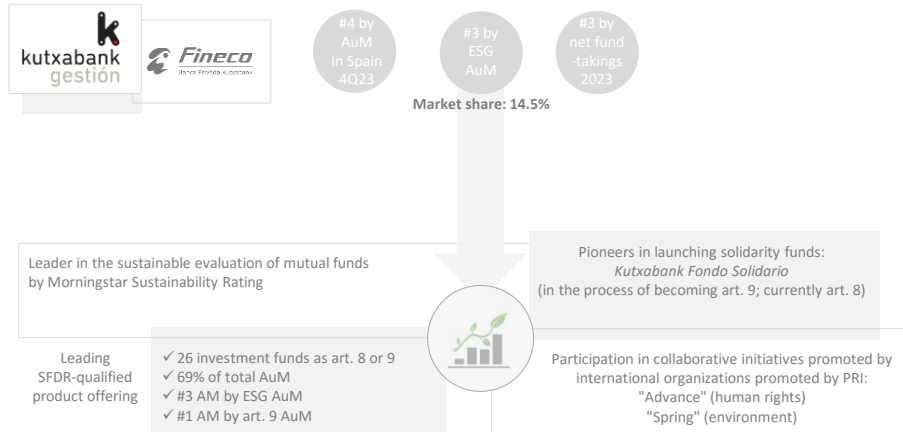


Financial performance

Progress in market share of core businesses

Savings and investments.

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



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

Financial performance

Expanding our positive environmental and social impact



Green mortgage⁽²⁾



22% of new mortgages



Green Consumer loans



x2.4 YoY



Green insurance



+20% YoY

Sustainable financing to Corporates

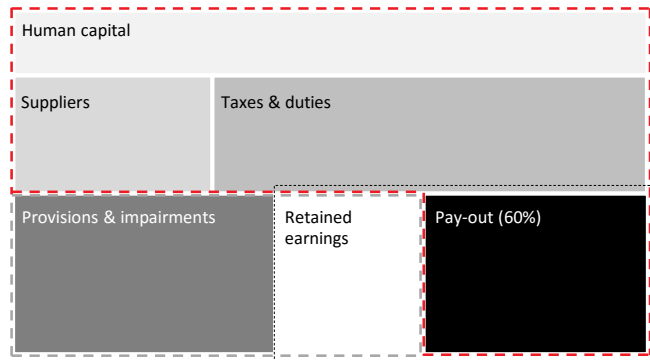
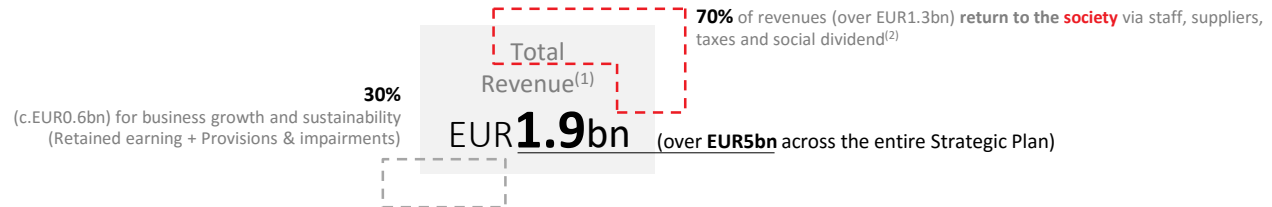


⁽¹⁾ Mortgages, consumer loans and corporate financing. Classification of sustainable products based on internal criteria developed in the Sustainable Financing Framework.

⁽²⁾ Regarding Green mortgages and Green consumer loans methodological improvements have been applied in Q4 to adapt screening criteria to the demands of supervisors and the requirements set out in the new internal Sustainable Financing Framework. Comparison with 2022 is made on a like-for-like basis.

Financial performance

Expanding our positive environmental and social impact



Net attributable income
EUR **0.5bn**
FY23
60% pay-out

Category	Percentage	Return to society	Business sustainability
Human capital ⁽³⁾	18.9%	18.9%	-
Suppliers	10.9%	10.9%	-
Taxes & duties ⁽⁴⁾	23.8%	23.8%	-
Provisions & impairments	19.2%	-	19.2%
Net attributable income	27.2%	-	-
o/w Retained earnings			10.9%
o/w Pay-out (60%)		16.3%	-
Total	100.0%	69.9%	30.1%

⁽¹⁾ Total revenue (EUR1,879.3mn): Gross margin (EUR1,735.4mn) excluding taxes and levies (EUR143.9mn).

⁽²⁾ Pay-out entirely to Foundations Shareholders that generate social value through Welfare Projects.

⁽³⁾ Personnel expenses not including social security contributions.

⁽⁴⁾ Includes levy on credit institutions, contributions to DGS/FUR, deposit tax, social security contributions, supervision fees, corporate income tax and other duties.

Financial performance Highlights



Income statement

Core revenue up 41% YoY
predominantly driven by higher net interest income

Controlled cost inflation
with labor costs and amortisations as main drivers

Cost of risk remain subdued
However, a very significant amount of provisions related to further reduce legacy NPE and to cover the costs of a new early retirement program

Net interest income
+83%
YoY

Net attributable income
+55%
YoY

RoOCR⁽¹⁾
RoTE
14.5%
9.3%

Balance sheet

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

Loan book
slightly downward, impacted by repayments

Asset quality
NPL dynamics remain virtually stable.

Customer deposits
+0.7%
YoY

Customer deposits
+1.6%
QoQ

Performing loan book
-0.4%
YoY

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

Financial performance

FY23 results summary

FY23 Net income

EUR **511mn**
+54.5%
YoY

(EUR million)	FY23	FY23-FY22
Net interest income	1,171.7	82.9%
Net Fees+Ins. business	620.1	-1.2%
Core revenues	1,791.7	41.3%
Equity method&Dividends&TI	104.2	-10.3%
Other operating income (OOI)	-160.6	40.5%
Gross margin	1,735.4	36.6%
Operating expenses	-653.6	6.6%
Pre-provisioning profit	1,081.8	64.6%
Provisions	-384.0	65.3%
Other income	25.1	-22.1%
Tax and others	-212.2	67.4%
Net income	510.7	54.5%

Core revenues continued to grow strongly (+41% YoY), supported by the positive development of net interest income in the current interest rate environment and the effective management of liability costs. Fees and commissions declined slightly, still impacted by the implementation of IFRS17 in the Insurance business and the suppression of commissions on large deposits

Includes the payment of the bank tax (first year) and the contribution to the Single Resolution Fund

Increase in operating expenses mainly due to higher amortisation resulting from **significant investments in digitalisation**. Despite this increase **PPP was up 65% YoY**

The Group maintains a high level of prudent provisioning with a focus on the impairment of foreclosed assets, including also the impact of staff renewal measures

Financial performance Outlook 2024



Volumes

Lending balances maintenance and Deposit growth



Asset quality

NPL ratio virtually unchanged. CoCR close to current levels



Core revenues

NII will gradually decline due to the evolution of rates and projected increase in the cost of liabilities, although overall performance for the year will be stable versus FY23.

Service income would perform flat to slightly negative



Expenses

Higher impact of tax on banks, offset by lower contribution to the DGS/SRF.

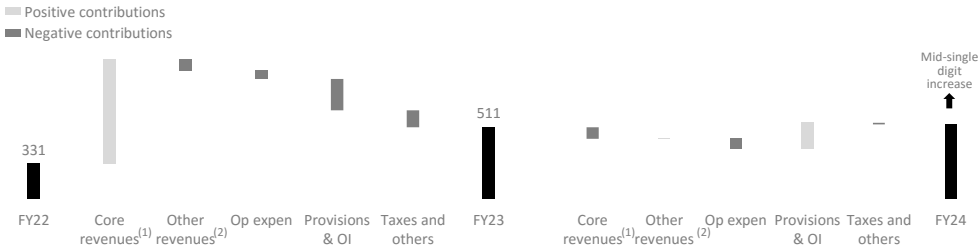
Increased Operating expenses as a result of persistent inflation.

Lower pressure on provisions

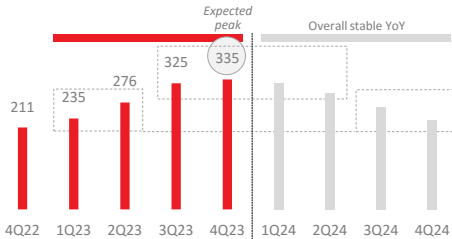
Net income

Mid-single digit FY24 NI growth expected

Net income breakdown by main drivers



Focus on Net interest income outlook



⁽¹⁾ Core revenues: Net interest income (NII) plus Income from services, including the Insurance business activity.
⁽²⁾ Other revenues: the sum of (i) Equity method income+Dividends+Trading Income and (ii) Other Operating Income (OOI).

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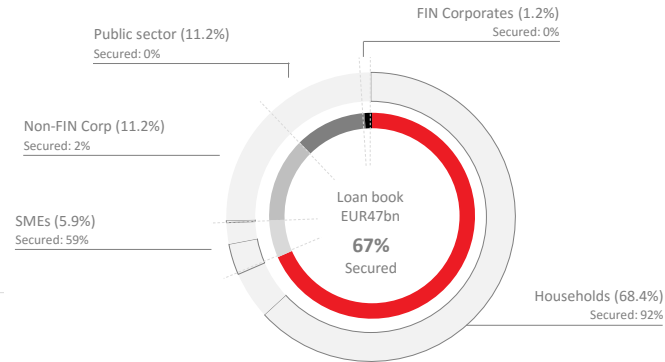
Asset quality

Robust low risk profile

Consistently prudent lending policy and highly-conservative risk standards.

Kutxabank balance sheet structurally relies on secured lending mainly to households, which shows a more resilient trend vs other segments

Loan book breakdown by business segment (4Q23)



	SHARE	SECURED	UNSEC.
Households	68.4%	92%	8%
SME	5.9%	59%	41%
Non-FIN Corporates	13.3%	2%	98%
Public sector	11.2%	0%	100%
FIN Corporates	1.2%	0%	100%
Total	100%	67%	33%

NPL

1.4%
Spanish
lowest

Cov⁽¹⁾

102%
Spanish
highest

Texas

23%
Best-in-
class

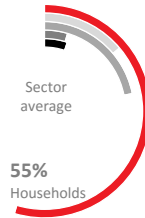
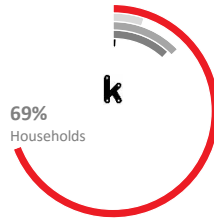
⁽¹⁾ Total coverage including prudential provisioning of NPE according to ECB calendar stands at 121%.

Asset quality

The largest relative exposure to Households, mainly secured

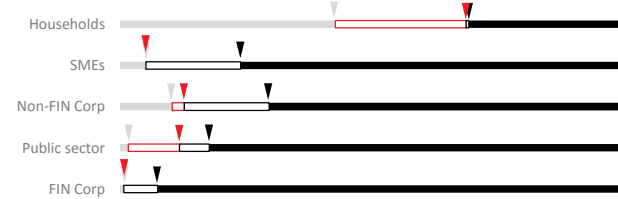
Distribution of the loan portfolio segments vs sector⁽¹⁾

- Households
- SME
- Non-FIN Corporates
- Public sector
- FIN Corporates



Distribution of the loan portfolio segments vs sector⁽¹⁾

- ▽ *Min* in the sector
- ▼ *Max* in the sector
- ▼ KUTxabank
- ⋯ Sector average



⁽¹⁾ Sector average obtained from information published in the EBA-wide transparency exercise 2023. Data as of 2Q23 for both to make them comparable.

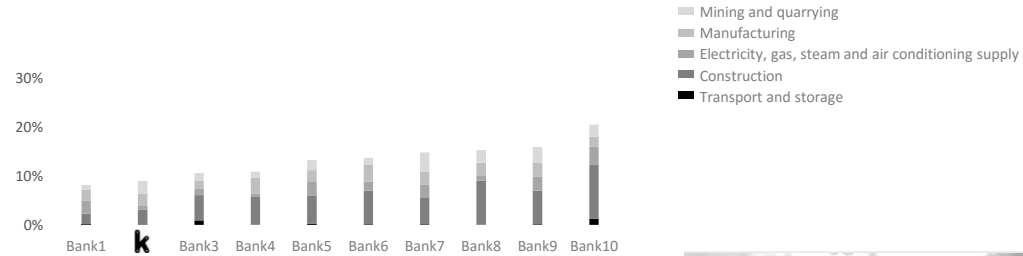
Asset quality

One of the lowest relative exposure to GHG intensive sectors

Exposure to GHG intensive industries.

According to the data collection exercise carried out by the EBA in the context of recent EU-wide transparency exercise, Kutxabank has the second lowest exposure to GHG intensive industries in the Spanish banking sector.

Breakdown of GHG intensive sector exposure as % of Total Loan book⁽¹⁾



⁽¹⁾ Data as of 2Q23, based on the information published in the EBA-wide transparency exercise 2023.

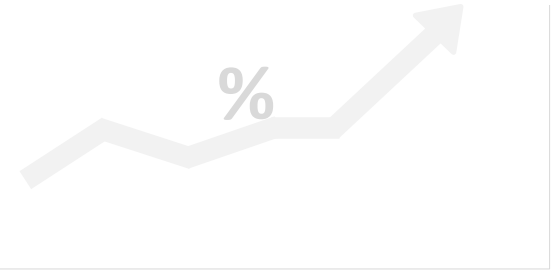
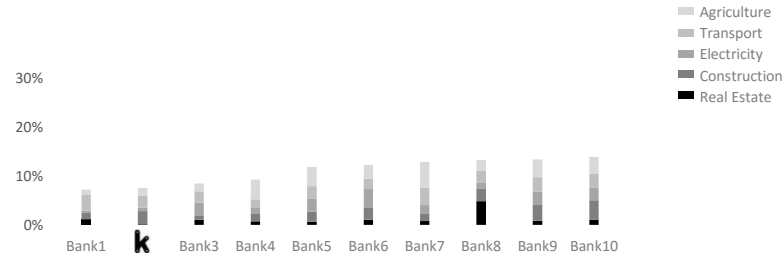
Asset quality

...as to sectors most affected by Inflation

Exposure to sectors most affected by inflation.

Similarly, Kutxabank has the second lowest exposure to the sectors most impacted by inflationary price dynamics.

Breakdown of the Exposure to sectors most affected by Inflation as % of Total Loan book⁽¹⁾



⁽¹⁾ Data as of 2Q23, based on the information published in the EBA-wide transparency exercise 2023.

Asset quality

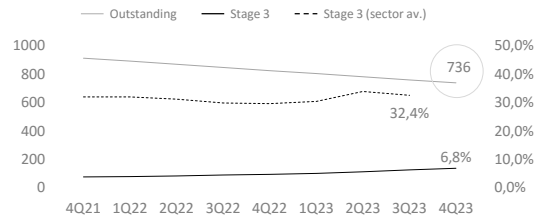
COVID related and other relief measures

Households

Moratoria.

The stock of residential mortgages that were subject to moratoria continues to decrease. Although the delinquency rate of this portfolio has increased, it remains far below the average levels of the sector

Moratoria: outstanding (EUR million) and NPL% evolution vs sector⁽¹⁾



Code of Best Practices.

Only 503 applications accepted (EUR55 million), resulting in an increase in doubtful assets of EUR12 million.

Guarantee lines

ICO loans and other guarantee lines.

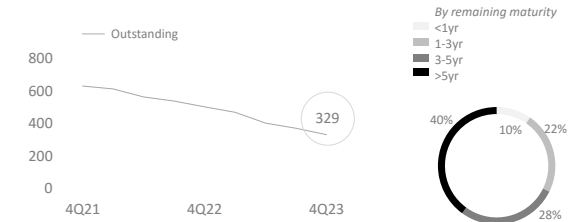
Financing mainly to self-employed and SMEs with different levels of coverage.

Guarantee was not considered for the credit analysis in the loan granting process.

This conservative approach is well reflected in the bank's appeal to this line of guarantees

Guarantee lines in detail

	Outstanding (EUR Mn)	S2	S3
ICO lines	220	42.1%	13.3%
Other lines ⁽²⁾	109	32.5%	0.1%
Total	329	38.9%	8.9%

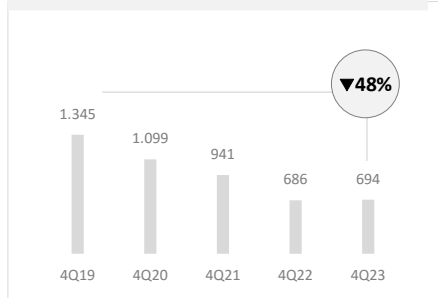


⁽¹⁾ Source: PwC. Banking sector data includes 9 of the 10 significant banks in Spain. Last data available 3Q23.

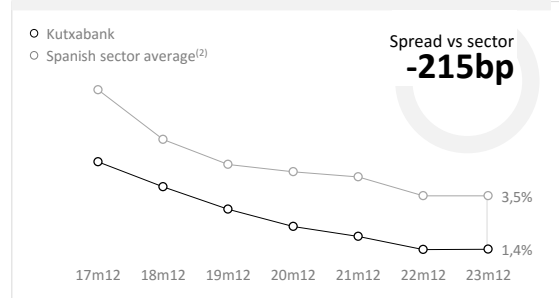
⁽²⁾ Mainly guarantees provided by *Elkargi* (Basque mutual guarantee society) under a EUR500 million line promoted by the Basque Government, with a cost-less 100% coverage level.

Asset quality

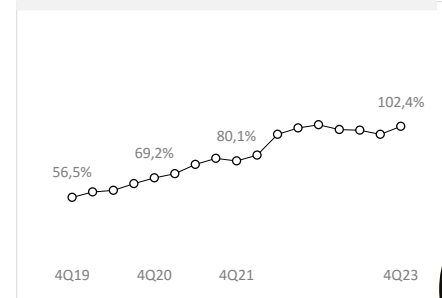
Stock of doubtful loans remains fairly stable

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

120.9%

⁽¹⁾ Doubtful loan stock includes contingent risks.

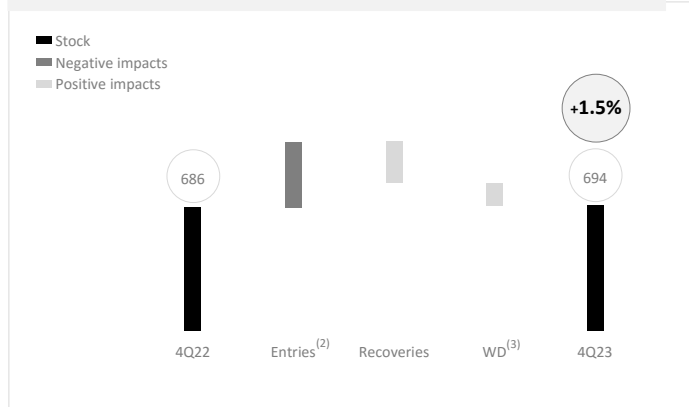
⁽²⁾ Source: BoS.

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**

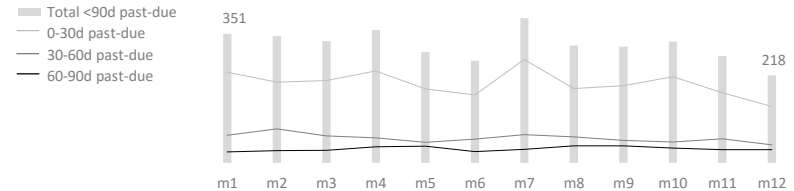
Doubtful-loan stock⁽¹⁾ evolution in 2023 (EUR million)



Loans and advances by segments and stages. Evolution vs 4Q22

	T				T vs T-1			
	S1	S2	S3	Cov	S1	S2	S3	Cov
Households	93%	5%	1%	75%	-1.4%	1.4%	0.0%	+7%
Non-FIN Corporates	90%	8%	3%	139%	1.7%	-1.6%	-0.1%	-25%
<i>a/w SME</i>	77%	15%	8%	108%	0.7%	-0.6%	-0.0%	-29%
Public sector	100%	0%	0%	ns	0.0%	0.0%	0.0%	-
FIN Corporates	100%	0%	0%	ns	0.0%	0.0%	0.0%	-

Evolution of <90 days past-due balances during the year



⁽¹⁾ Doubtful loan stock includes contingent risks. Contingent risks were down EUR1.6 million in the year.

⁽²⁾ Some singular exposures have been classified as subjective doubtful.

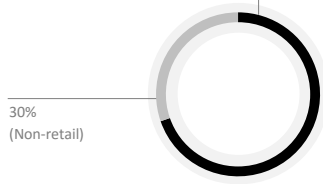
⁽³⁾ WD: Write-downs.

Asset quality

Stock of doubtful loans in detail

NPLs⁽¹⁾ by business segment of origin

■ Retail business
■ Non-retail business



Loans to individual is by far the most relevant exposure in the bank's loan book

Exposure to individuals accounts for most of the stock of NPLs

Average NPL%
1.4%

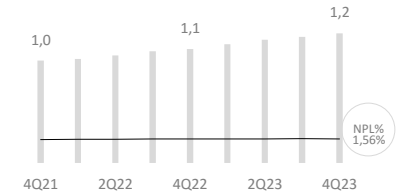
Residential mortgages

Vintage	Outstanding (%)	NPL%
Up to 2008	24.4%	3.38%
2009	3.4%	1.14%
2010	4.3%	0.68%
2011	3.1%	0.60%
2012	1.6%	0.55%
2013	0.7%	0.26%
2014	1.1%	0.29%
2015	1.7%	0.19%
2016	2.8%	0.27%
2017	3.6%	0.20%
2018	4.9%	0.30%
2019	7.2%	0.09%
2020	9.4%	0.05%
2021	12.1%	0.03%
2022	9.4%	0.00%
2023	10.6%	0.00%

Consumer loans

Relatively low exposure to consumer loans although with steady growth in the last few years.
NPL ratio for this business is only 1.56%, well below Spanish sector average.

Consumer loan book evolution (EUR billion)



⁽¹⁾ Do not include contingent risks.

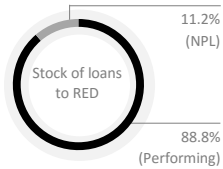
Asset quality

Lending to Commercial Real State

Very limited exposure

Exclusively focused on the ultimate goal of residential mortgage origination

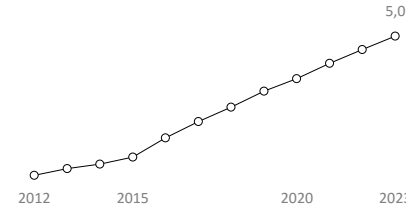
Gross EUR0.55bn 99.8% secured	Cov 15%	Net EUR0.47bn	OC⁽¹⁾ 1.12x
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The new portfolio

RED credit exposure originated since 2012⁽²⁾

Cumulative amount granted since 2012 so far (EUR billion)



Outstanding exposure (EUR million)

Gross EUR392Mn 100% secured >70% of the back book	NPL 0.1%
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⁽¹⁾ OC reflects the ratio between the present value of collateral and net credit exposure.

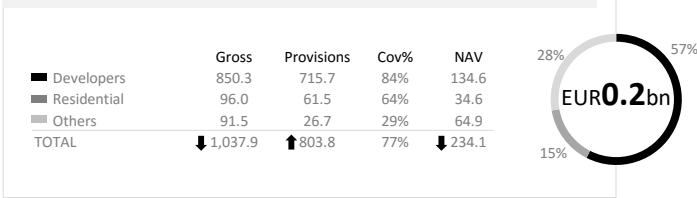
⁽²⁾ 2012 is the year in which Kutxabank was founded, after the merger of the former Basque savings banks.

Asset quality

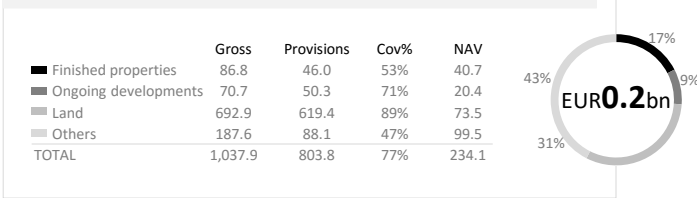
NPAs in detail



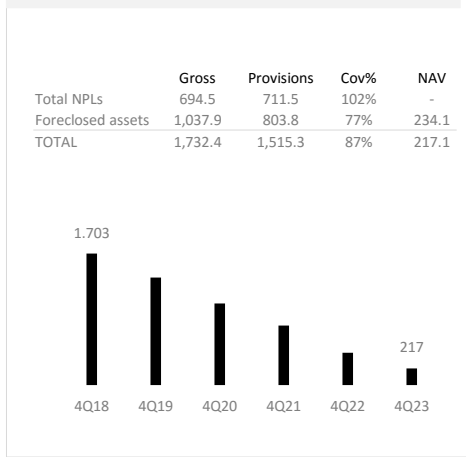
Floreclosed asset (FA) breakdown by origin (4Q23; EUR million)



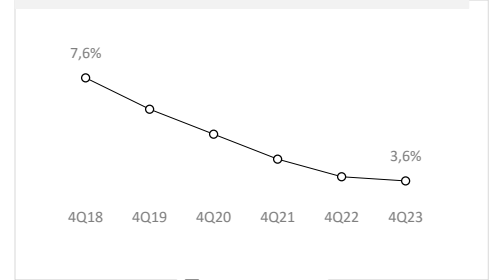
FA breakdown by type of asset (4Q23; EUR million)



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



NPA% YoY evolution



Texas ratio
23.0%
4Q23

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Capital & Funding

Another step further forward

Highlights

- After deducting the 60% pay-out, retained earnings contribute +68bp during the year.
- Decrease in Prudential provisioning after relevant efforts made in accounting to provision these assets and the favorable evolution of unrealized capital gains on fixed income and equity investments added an extra 23bps.
- The one-off impact of IFRS17 together with RWA inflation and the increase in deductions were the main impacts absorbed during the year.

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

	Impact vs4Q22	Impact (bp) vs4Q22	
Valuation adjustments	42	14	▲
Prudential provisions	26	9	▲
IFRS17	41	14	▼
Deductions	41	14	▼
Risk-weighted assets	228	14	▼
Total earnings	511		
<i>o/w retained</i>	204	68	▲

CET1 Phased-in
18.0%

4Q23

Fully-loaded
CET1 ratio

17.9%

4Q23

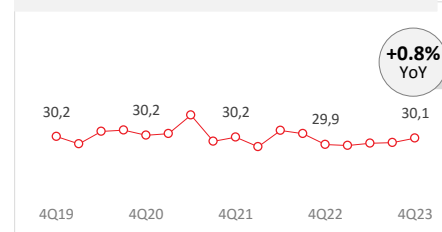
+70bp
YtD

RWA calculation
method: STANDARD
100%

CET1 phased-in FY23 evolution by components



RWA evolution (Phased-in; EUR billion)



RWA inflation driven by operational risk following the increase of pure banking revenues, while RWA related to credit exposure declined during the year

Capital & Funding

Liquidity risk management

Deposit dynamics

Customer deposit volume, clearly shows an upward trend over the last few years so far

On an annual basis, Customer deposits have grown. If we also add off-balance funds managed by the Group, the growth was remarkable

Main drivers

Prepayments in the loan book remain at high rates while there have been a significant flow of deposits into funds, particularly during 1H23.

Both factors put pressure on the deposits. Otherwise, no major outflows are observed

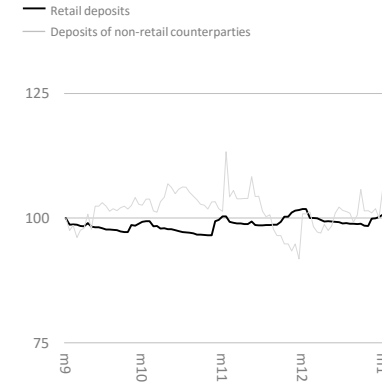
Customer Deposit evolution

+0.7%
YoY

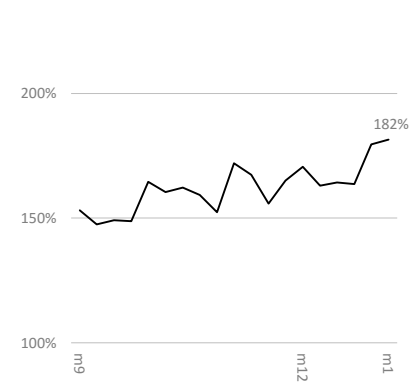
+1.6%
QoQ

Focus on the most recent evolution (4Q23-YtD)

Deposit evolution (4Q23-YtD; base: 2023/9/30=100)



LCR evolution (4Q23-YtD; base: 2023/9/30=100)



Capital & Funding

Liquidity risk management

Deposits with a markedly stable nature.

Deposit base profile is well reflected in the significant proportion of guaranteed deposits covered by DGFs

Large Retail deposit base with a very high level of transactionality

The proportion of cash deposits continues to be very significant

As of 4Q23 more than 40% of non-Retail deposits are operational

Guaranteed deposits

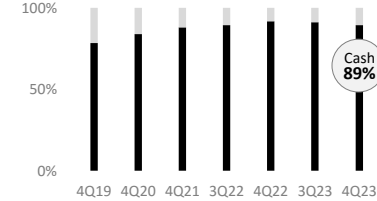
Eligible deposits to fall under deposit guarantee

87%
4Q23

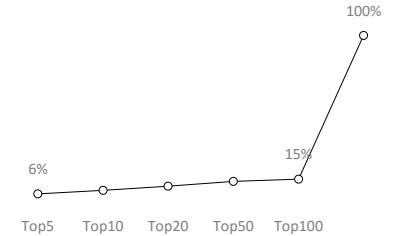
Amount of deposits effectively guaranteed

70%
4Q23

Customer deposit mix: cash vs term-deposits



Customer deposit concentration



Capital & Funding

Liquidity risk management

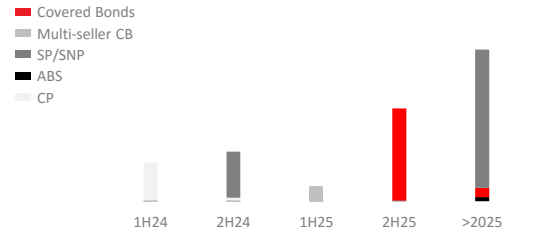
TLTRO repayments

- Repayments will be made on the scheduled date of each borrowing.
- The bulk of the position already repaid in 2023.

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	Pending

Capital market funding maturity profile (EUR million)



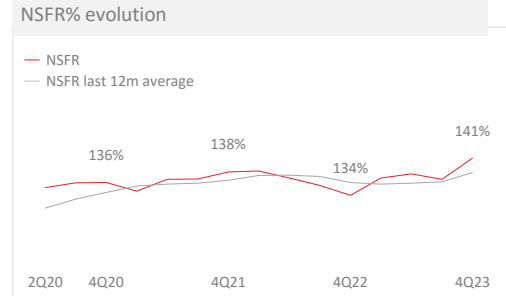
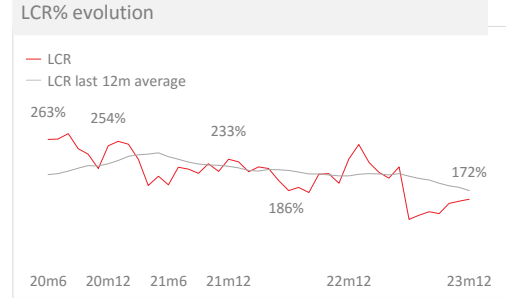
Regulatory liquidity ratios

LCR
172%
23m12

Last 12-month average
185%

NSFR
141%
4Q23

Last 12-month average
138%

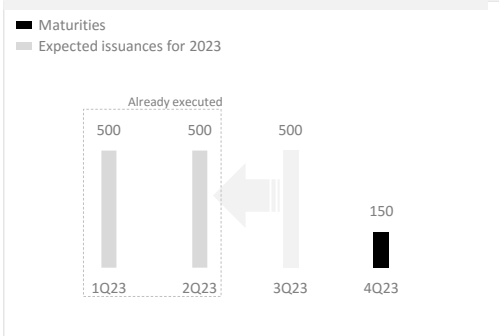


Capital & Funding

Funding plan

- 2023 Funding Plan considered two transactions of bail-inable debt instruments. Both of them were materialized in 1H23.
- Persistence of uncertainties regarding the second half of the year was the driver for bringing forward the second of the planned issues.

Debt maturities vs new issuances



- Financial plans for the next two years will focus on existing debt maturities (c.EUR1bn per year) while monitoring the evolution of the MREL's 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.
- There are still uncertainties about the potential effects of the implementation of the new ECB operational framework and new regulatory requirements.

Outstanding bailinable debt instrument (4Q23)

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

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

Capital & Funding

Covered Bond programme

Programme overview

New legal framework that introduces relevant aspects that **enhance the product quality**

Issuer/ Guarantor

Kutxabank S.A.

Primary assets⁽¹⁾

- i. Loans secured by residential properties up to the 80% of the value of the pledged properties
- ii. Exposures to or guaranteed by central governments, ESCB central banks, public sector entities, regional governments or local authorities in the Union

Substitute assets

Both coverage pools may include substitute assets up to 10% of the principal amount of the covered bonds they back

Liquidity buffer

Both type of cover pool must include at all times a liquidity buffer made up of available high quality liquid assets in accordance with Article 11.3 of RDL 24/2021 to cover the maximum cumulative net liquidity outflow over the next 180 days

Derivative contracts

Both type of cover pool may include derivative contracts in accordance with the requirements set forth in article 12 of RDL 24/2021

OC

Issuances of covered bonds under this Programme will have an OC level equal to the greater of (i) the Legal OC (5%) and (ii) the Voluntary or Contractual OC

Extendable maturity structures

Covered bonds issued under this Programme may have extendable maturity structures when any of the circumstances specified in article 15.2 of RDL 24/2021 occur, provided that such circumstances are adequately specified in the contractual T&C of the covered bonds



Bonds issued under this programme are allowed to use the label

<https://www.bde.es/bde/en/secciones/servicios/autorizacion-de-programas-de-bonos-garantizados-3bec373d9d49181.html>

⁽¹⁾ Under the current program, Kutxabank is authorized to issue both cédulas hipotecarias and cédulas territoriales. Currently, there is only one active cover pool backing currently outstanding cédulas hipotecarias and new potential cédulas hipotecarias going forward. The primary assets of this cover pool consist of residential mortgage loans.

Capital & Funding

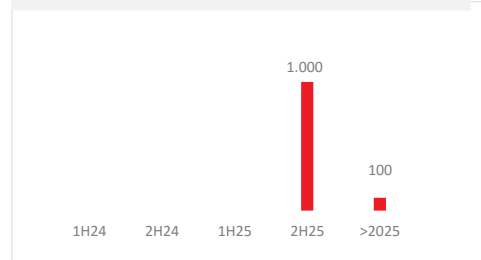
Covered Bond programme

Outstanding bonds Type of outstanding covered bonds: **Cédulas Hipotecarias**

Outstanding marketable *Cédulas Hipotecarias*

ISIN code	Amount (EUR mn)	Currency	Premium	LCR status	Issue date	Maturity date	Maturity type	Coupon type	Current coupon
ES0443307063	1,000	EUR	✓	Level 1B	09/2015	09/2025	Hard bullet	Fixed	1.25%
ES0443307022	100	EUR	✓	-	05/2013	05/2026	Hard bullet	Fixed	3.68%

Covered bond maturity profile (EUR million)



COVERED BOND LABEL

Kb is a labeled issuer since the initiative was launched

The Covered Bond Label is a quality Label which responds to a market-wide request for improved standards and increased transparency in the covered bond market. Common Harmonised Transparency Template (HTT) across jurisdictions for all covered bond issuers which hold the Covered Bond Label, which facilitates investors' due diligence and cross-border comparison of data in a centralised way and in a comparable format.

Direct links:

coveredbondlabel.com

kutxabank.com/cs/Satellite/kutxabank/en/investor_relations/covered-bonds

[Last template](#)

Capital & Funding

Covered Bond programme

The cover pool **100% prime residential cover pool**

WA LTV
51%

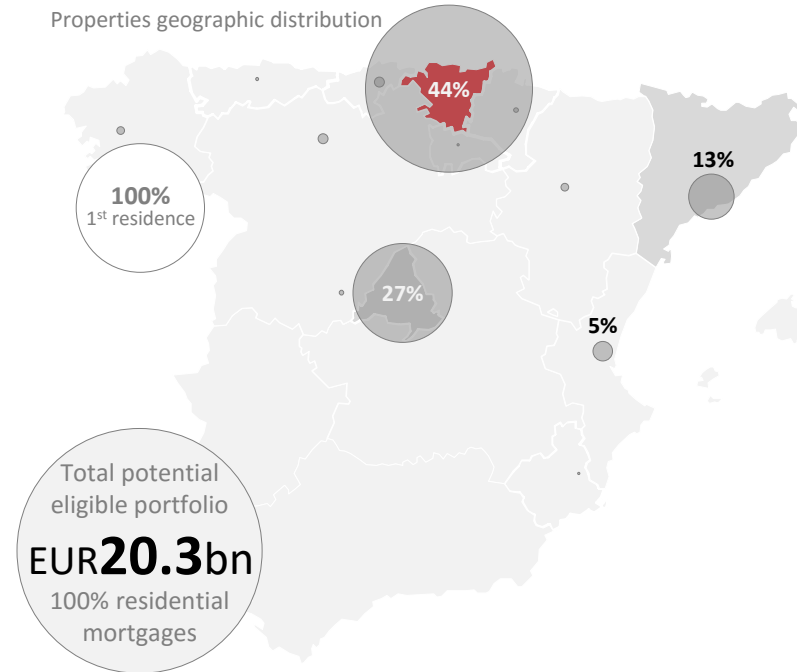
90d
past due
0%

Currency:
EUR
100%

Outstanding balance	EUR million	1,512.3
Number of loans	Units	12,961
Average loan size	EUR thousand	116.7
Number of borrowers	Units	20,653
WA LTV	%	50.76
WA seasoning	Months	68.75
WA contractual maturity	Years	20.50
WA Life	Years	8.37
WA yield	%	3.17
<i>o/w floating-rate loans</i>	%	4.6

Outstanding Bonds	EUR million	1,100.0
<i>o/w retained</i>	EUR million	-
Nominal OC	%	137.5
Liquidity buffer (LB)	EUR million	0
OC including LB	%	137.5
Credit rating	Moody's/DBRS	Aa1/AAA

Properties geographic distribution



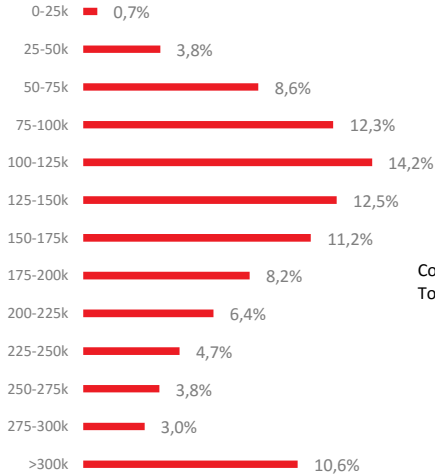
Capital & Funding

Covered Bond programme

The cover pool

100% prime residential cover pool

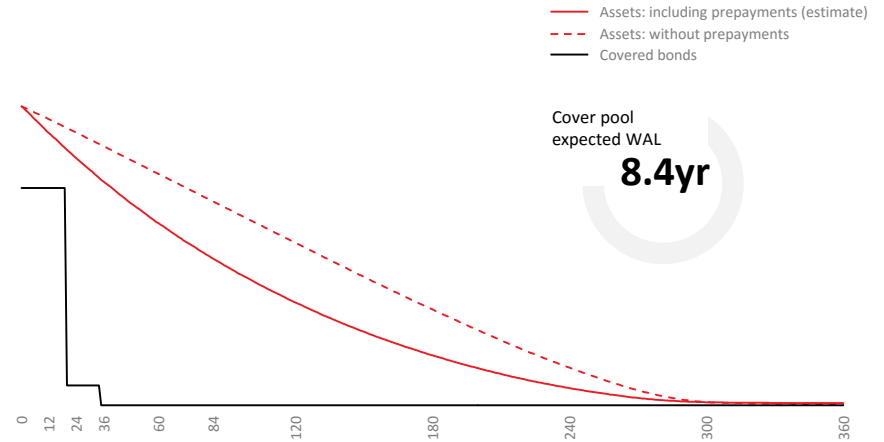
Loan size distribution



Concentration risk
Top 20 borrowers

0.5%

Assets and Liabilities maturity profile on a contractual basis

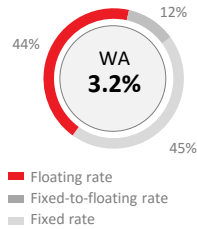


Capital & Funding

Covered Bond programme

The cover pool **100% prime residential cover pool**

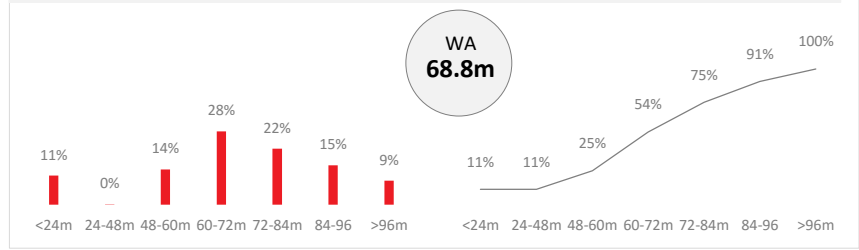
Breakdown by interest rate



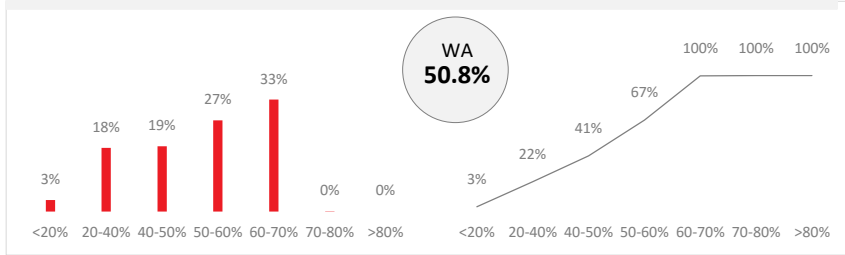
Repayment type



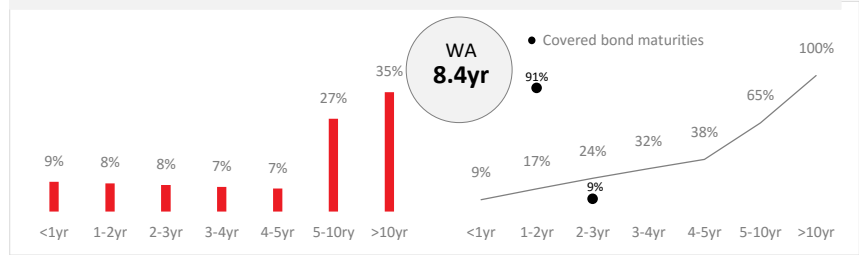
Loan seasoning (months)



Loan to value (LTV)



Loan book residual life (expected maturity; years)



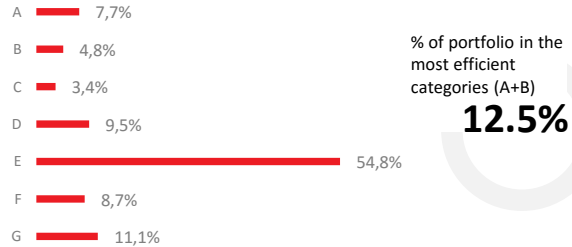
Capital & Funding

Covered Bond programme

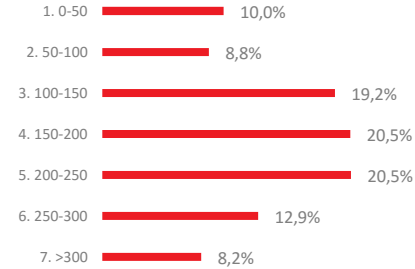
The cover pool

100% prime residential cover pool. No sustainable strategy is pursued in the Cover pool for the time being.

EPC distribution



Average energy use (kWh/m² per year)



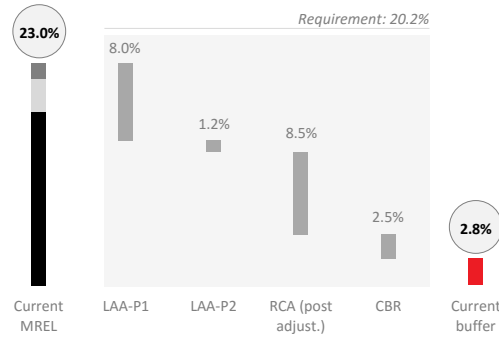
Capital & Funding

MREL position

MREL
23.0%
4Q23

20.2%
required

MREL: current position vs requirement



	Amount (EUR million)	% o/TREA
Current position	6,934	23.0%
<i>o/w CET1</i>	5,434	18.0%
<i>o/w SNP</i>	1,000	3.3%
<i>o/w SP</i>	500	1.7%
Loss Absorption Amount	2,772	9.2%
Recapitalisation Amount	2,772	9.2%
RCA post adjustments	2,564	8.5%
2022 MREL target	5,751	19.1%
2024 MREL target	6,089	20.2%
Current excess vs applicable target	1,183	3.9%
Current excess vs Final target	845	2.8%

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.

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performance



Asset
quality



Capital &
Funding



Annex



Annex Financial results

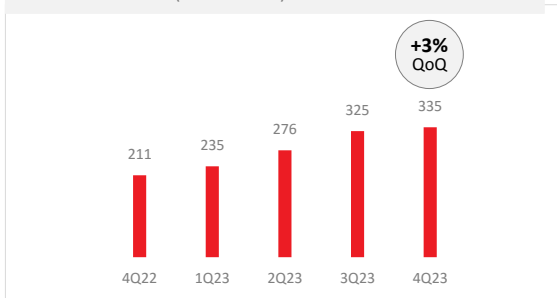
Annex: Financial results

Top-line results

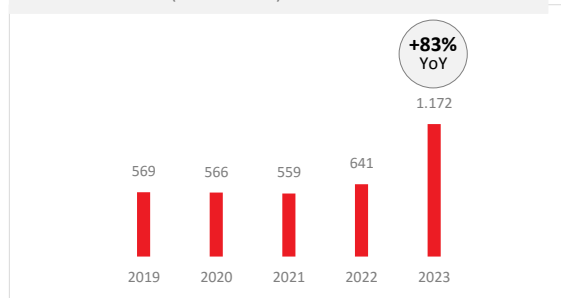
Net interest income (NII)

EUR **1,172mn**
+82.9%
 YoY

NII QoQ evolution (EUR million)



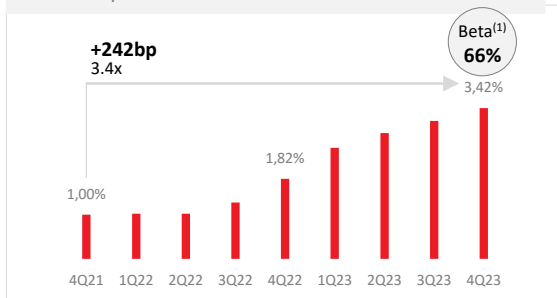
NII YoY evolution (EUR million)



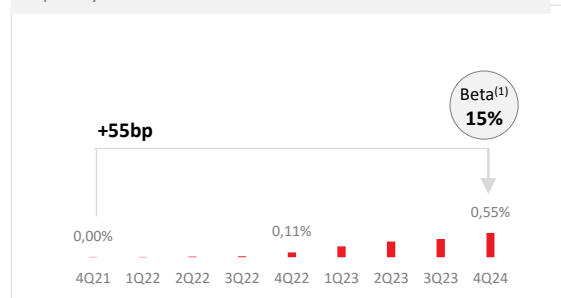
Highlights

- Strong net interest income growth driven by sustained loan book contribution and controlled cost of liabilities
- Loan book yield has increased by 3.4x since 4Q21, with an absolute variation of 242bp over the same period. Beta analysis on the deposit side also shows that appreciation of deposit rates has been limited.

Loan book yield QoQ evolution



Deposit yield QoQ evolution⁽²⁾



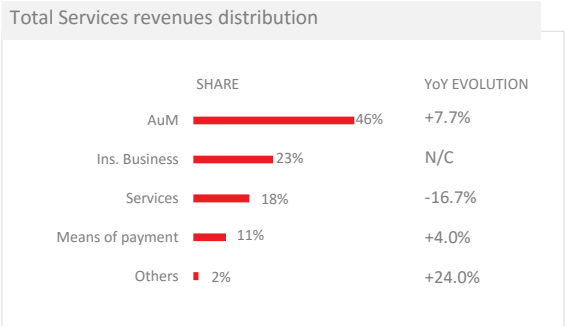
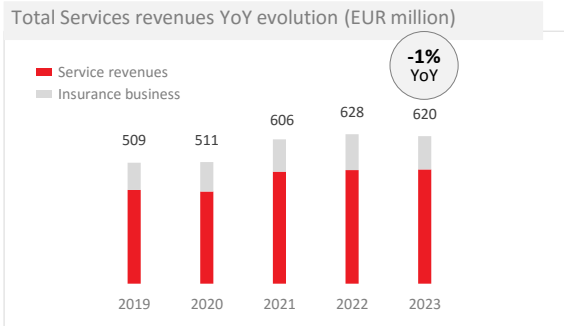
⁽¹⁾ Calculated as the ratio of the difference between the increase in the loan/deposit yield in the observation period vs the Eur12m at the end of that period.

⁽²⁾ Deposit yield of private sector deposits. Including also Public sector deposits, deposit beta would increase by 7pbs.

Annex: Financial results

Top-line results

Income from services & Insurance business

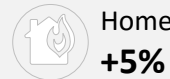
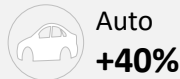
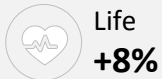


Highlights

- ◆ Sound Income from services leveraged on AuM. The suppression of fees on large deposits in the wholesale segments still has a negative impact on the Specific Services line, reducing the overall revenue volume.
- ◆ Additionally, the application of IFRS17 also pushes down this headline on a YoY basis.



- ◆ Despite the negative impact derived from the IFRS17 application Insurance business continues to provide stable and recurring revenues
- ◆ Close to 117,000 new policies have been commercialised during the year

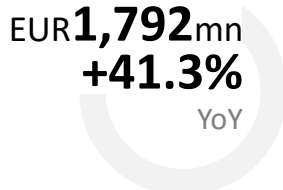


⁽¹⁾ This headline would result in a +1.4% YoY evolution considering the Income from Insurance business activity on a comparable like-for-like basis under IFRS17.

Annex: Financial results

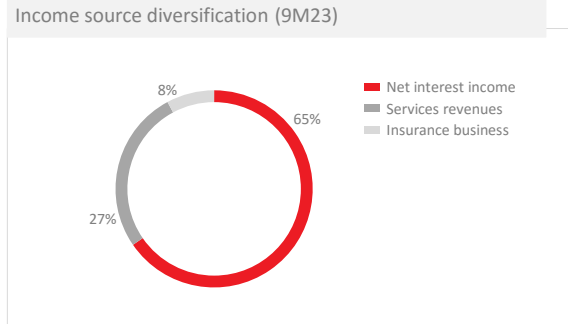
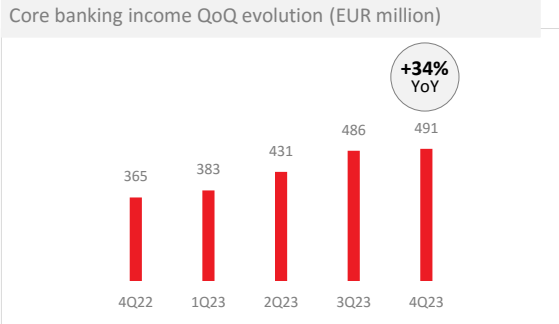
Top-line results

Core revenues



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.
- Total services revenues cover 1.03 times administrative expenses



Annex: Financial results

Other Income and Expenses

Equity method & Dividends

EUR **98**mn
FY23

Other operating income (OOI)

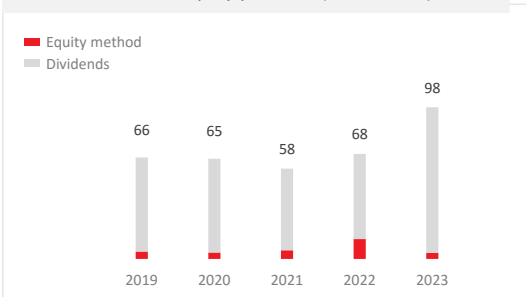
EUR **-161**mn
FY23

Including the payment of EUR 47.2 million of the banking tax

Pro-forma P&L summary exBanking tax

(EUR million)	FY23	FY23 Pro-forma
Core revenues	1,792	N/A
Gross margin	1,735	1,783
Pre-provisioning profit	1,082	1,129
Net income	511	>555

Revenues from the equity portfolio (EUR million)



New banking tax

- 4.8% on interest and commissions amount
- Estimated aggregate impact of EUR123Mn (2023-2024), exceeding 15% of annual profit for each year

47mn
2023

~75mn
2024e

- Kb has filed an appeal against the order that develops the new bank levy, requesting the suspension of its execution

Efficiency Ratio⁽¹⁾

37.7%
4Q23

⁽¹⁾ The efficiency ratio would improve up to 36.7% excluding the Banking tax.

Annex: Financial results

Costs

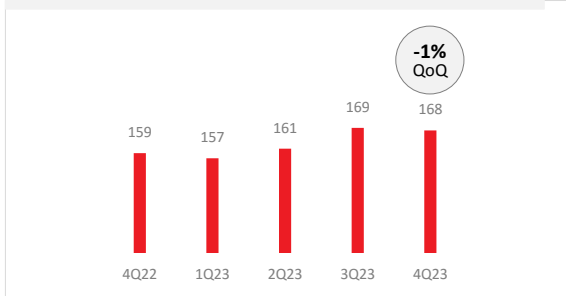
Operating expenses

EUR **654mn**
+6.6%
 YoY

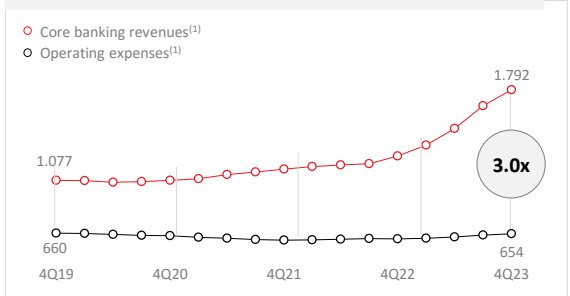
Highlights

- ◆ Administrative expenses were EUR603.7mn, up 5.2% YoY. Increases in labor costs and other general expenses were the main drivers.
- ◆ Sharp increase in amortisations (+26.6% YoY) due to accelerated digitalization.
- ◆ Pure banking business margin (difference between Core banking revenues and Operating expenses) has tripled in the last 3 years.

Operating costs QoQ evolution (EUR million)



Core banking revenues vs Operating expenses (EUR million)



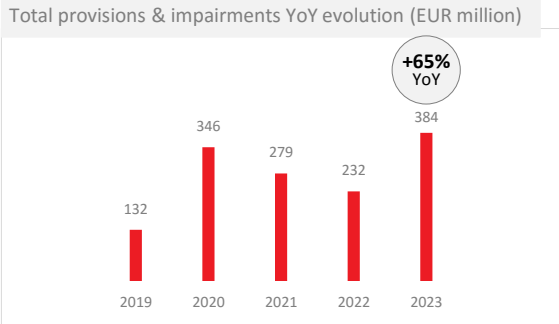
⁽¹⁾ Revenues and expenses for each period are calculated as the moving sum of the last four quarters.

Annex: Financial results

Costs

Credit risk impairments and other provisions

EUR **384**mn
+65.3%
 YoY



Total provisions & impairments in detail (EUR million)

	FY23	CoCR 7bp
Credit risk	34.3	
Other provisions&cont.	142.6	
Impairments on RE assets	207.0	
TOTAL provisions	384.0	

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.
- The major part of total provisions for FY23 are impairments on legacy RE assets in order to keep reducing NPA. Other provisions and Contingencies include provisions to cover the impact of an early retirement scheme.





Annex

Digital transformation of the business

Annex: Digital transformation of the business

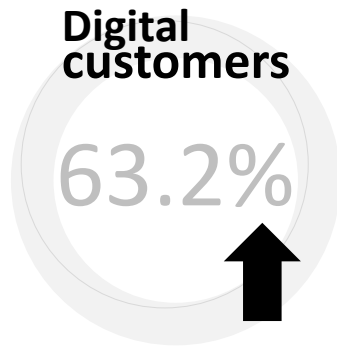
Expansion of digital functionalities



5 lines of action

- Digital customers
- Omnichannel sales
- Customer experience
- Digital Gap
- New innovation programs

c. EUR 90mn invested in digitalisation 2023



Annex: Digital transformation of the business

Expansion of digital functionalities



Digital sales

47%

Of all transactions

+4% YoY

Digital sales in different products

Pension plans

71%

Investment funds

44%

Mortgages

59%

Card business

21%

Consumer

53%

Insurance

12%



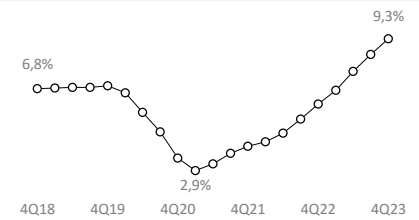


Annex **Key indicators**

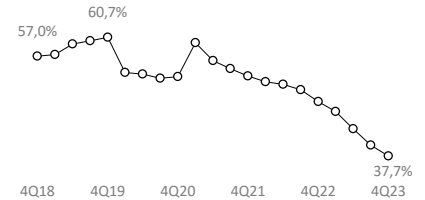
Annex: Key indicators

	4Q23	4Q22	4Q23 vs 4Q22	3Q23	4Q23 vs 3Q23
ROE	8,58%	5,67%	291 bp	7,88%	70 bp
ROTE	9,26%	6,10%	316 bp	8,50%	76 bp
ROA	0,79%	0,50%	29 bp	0,71%	8 bp
RORWA	1,71%	1,10%	61 bp	1,55%	15 bp
Cost to Income	37,66%	48,26%	-1060 bp	39,77%	-210 bp
LCR	172,34%	233,48%	-26,2%	150,83%	14,3%
NSFR	141,22%	133,55%	5,7%	136,86%	3,2%
LtD	94,66%	95,04%	-0,4%	96,98%	-2,4%
# of customers	2.320.082	2.345.738	-1,1%	2.329.180	-0,4%
# of employees	5.053	5.023	0,6%	5.025	0,6%
# of branches	685	709	-3,4%	693	-1,2%
# of ATMs	1.401	1.491	-6,0%	1.433	-2,2%

ROTE% evolution



Cost to income% evolution



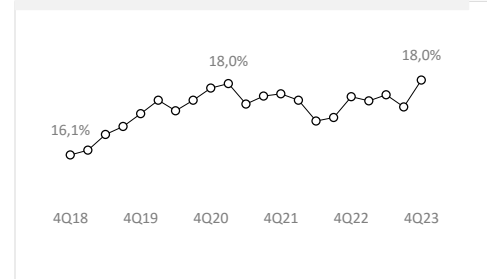


Annex: Solvency



	4Q23	4Q22	4Q23 vs 4Q22	3Q23	4Q23 vs 3Q23
Capital	2,060.0	2,060.0	0.0%	2,060.0	0.0%
Reserves	3,667.1	3,610.4	1.6%	3,667.6	0.0%
Retained earnings	204.3	132.2	54.5%	89.1	129.3%
Prudential Coverage of NPE	-128.2	-154.1	-16.8%	-143.4	-10.6%
Minority interests	0.4	2.0	-82.2%	2.6	-86.4%
Valuation adjustments	512.8	456.1	12.4%	391.2	31.1%
Intangible assets	-419.8	-366.8	14.5%	-383.8	9.4%
Deductions	-462.4	-474.9	-2.6%	-488.7	-5.4%
CET I capital	5,434.2	5,264.8	3.2%	5,194.5	4.6%
Tier I capital	5,434.2	5,264.8	3.2%	5,194.5	4.6%
Total capital	5,434.2	5,264.8	3.2%	5,194.5	4.6%
RWA	30,127.2	29,899.3	0.8%	29,951.7	0.6%
o/w Credit risk	27,381.9	27,490.9	-0.4%	27,552.4	-0.6%
CET I ratio	18.04%	17.61%	43 bp	17.34%	69 bp
Tier I ratio	18.04%	17.61%	43 bp	17.34%	69 bp
Total Capital ratio	18.04%	17.61%	43 bp	17.34%	69 bp
Leverage ratio	8.32%	7.71%	61 bp	8.14%	18 bp
Pro-forma: CET I ratio fully loaded	17.91%	17.21%	70 bp	17.27%	63 bp
Pro-forma: Total Capital fully loaded ratio	17.91%	17.21%	70 bp	17.27%	63 bp
Pro-forma: Leverage fully loaded ratio	8.27%	7.56%	71 bp	8.11%	15 bp
MREL	23.02%	20.95%	206 bp	22.35%	67 bp

CET1% evolution (Phased-in)





Annex Glosary

Annex: Glossary

AM	Asset manager
ABS	Asset Backed Securities
AuM	Assets under management
BoS	Bank of Spain
C&E	Climate and environmental
Cash&CB	Cash and Central Banks deposits
CBR	Combined Buffer Requirement
CET1 Fully-loaded	Common Equity Tier 1 without considering the transitional adjustments
CET1 Phased-in	Common Equity Tier 1 considering the transitional adjustments
CoCR	Cost of Credit Risk
Core revenues	The result of the sum of NII, Income from services including revenues from the Insurance business
Cost to Income	The result of dividing the sum of Administrative expenses and amortisations, by the gross margin
COV	Coverage level resulting from allocating provisions and impairments.
CP	Commercial paper
CSR	Corporate Social Responsibility
DCM Funding	Debt capital markets funding
DGS	Deposit Guarantee Schemes
Durable income	Income from services including revenues from the Insurance business
EPC	Energy Performance Certificate
ESG	Environmental, Social and Governance
Fin-Corp	Financial corporates
GDP	Gross Domestic Product
GHG	Greenhouse gas
GRI	Global Reporting Initiative
HTC	Hold to collect portfolio. Assets valued at amortised cost.
HTC&S	Hold to collect and sale portfolio. Assets valued at fair value through other comprehensive income.
IFRS17	International Financial Reporting Standards 17
KPI	Key Performance Indicators
KRI	Key Risk Indicators



Annex: Glossary

LCR	Liquidity Coverage Ratio
LGD	Loss given default
LR Fully-loaded	Leverage ratio without considering the transitional adjustments
LR Phased-in	Leverage ratio considering the transitional adjustments
LtD	Loan to Deposits
MDA	Maximum Distributable Amount
MREL	Minimum Requirement of Eligible Liabilities
NAV	Net Asset Value
NFIS	Non-financial Information Statement
NII	Net interest income
Non-Fin Corp	Non-financial corporates
NPA	Non-performing assets
NPE	Non-performing exposures
NPL	Non-performing loans including doubtful contingent risks
NSFR	Net Stable Funding Ratio
P2R	Pillar II requirement
PCAF	Partnership for Carbon Accounting Financials
PD	Probability of default. Estimation of the likelihood that a borrower will be unable to meet its debt obligations.
RE	Real Estate
ROA	Return on assets
ROE	Return on equity
RoOCR	Return on overall capital requirement
RoTE	Return on tangible equity
RWA	Risk Weighted Assets
SFDR	Sustainable Finance Disclosure Regulation
SLL	Sustainability Linked Loan
SME	Small&Medium Enterprises
SNP	Senior non-preferred
SP	Senior preferred



Annex: Glossary

SREP	Supervisory Review and Evaluation Process
SRF	Single Resolution Fund
SRI	Socially Responsible Investing
TA	Total assets
TC Fully-loaded	Total capital without considering the transitional adjustments
TC Phased-in	Total capital considering the transitional adjustments
TCFD	Task force on Climate-related Financial Disclosures
Texas	Texas ratio. Ratio between (i) non-performing assets and (ii) tangible common equity and loan loss reserves.
TLTRO	Targeted Longer-term Refinancing Operations
Turnover	The sum of Customer loans and Customer resources



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