

# Kutxabank 1Q2014 Results Presentation

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29th May 2014



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**A. Summary**

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# Summary

## Key figures 1Q2014

### Balance Sheet

Amounts in million Euros

<b>Total Assets</b>	61,097.8
<b>Customer Loans</b>	45,666.6
<b>Customer Deposits</b>	44,030.7
<b>Total Customer resources</b>	64,540.4
<b>Turnover</b>	113,014.8
<b>Equity</b>	4,697.7

### P&L Statement

Amounts in million Euros

<b>Net interest Margin</b>	152.3
<b>Net Commissions</b>	83.7
<b>Trading Income</b>	40.2
<b>Gross Margin</b>	363.7
<b>Operating Expenses</b>	190.6
<b>Pre-Provisioning profit</b>	173.1
<b>Provisions</b>	134.4
<b>Other Incomes</b>	10.3
<b>Net Income</b>	48.1

### Capital ratios<sup>1</sup>

<b>BIS Ratio</b>	12.4%
<b>Core Capital Ratio</b>	12.0%
<b>Tier I Ratio</b>	12.0%
<b>Capital Principal Ratio (24/2012 RD)</b>	12.0%

### General ratios

<b>ROE</b>	4.10%
<b>ROA</b>	0.32%
<b>RORWA<sup>1</sup></b>	0.30%
<b>Efficiency Ratio</b>	52.41%
<b>NPL Ratio</b>	11.55%
<b>Coverage</b>	56.31%

### Other figures

<b>Number of employees</b>	6,599
<b>Number of branches</b>	1,057

<sup>1</sup> Capital and RORWA ratios as of 4Q2013. Period for approving figures for the first time under new capital requirements has been extended.

# Summary

## Main ideas

- Kutxabank obtains a consolidated **Net income of €48.1 Mn (+41.2% yoy)** in the first quarter of 2014, after allocating **€134.4 Mn in provisions**.
- Volumes in the asset side of the business still decrease. However, **new loan production shows a strong performance** through mortgages for house purchasing (+40%), as well as consumption for individuals (+44%).
- In terms of NPLs, **new entries confirm the better trend** shown during the last quarters.

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# 1Q Results and business trends

## P&L Statement

Amounts in million Euros

	1Q2014	1Q2013	Var.
Interest margin	152.3	200.0	-23.8%
Income from equity instruments	40.2	41.5	-3.2%
Equity method income	0.4	5.7	-93.5%
Net commissions	83.7	76.9	8.9%
Trading income	39.6	7.7	417.5%
Other operating income	126.6	84.2	50.4%
Gross margin	363.7	340.7	6.8%
General expenditures	174.5	187.6	-7.0%
Amortisations	16.2	17.9	-9.7%
Pre-Provisioning profit	173.1	135.1	28.1%
Provisions	134.4	100.7	33.5%
Operating income	38.7	34.4	12.5%
Other incomes	10.3	2.5	312.0%
<b>Net income</b>	<b>48.1</b>	<b>34.0</b>	<b>41.2%</b>

**Kutxabank** obtains a consolidated **Net income of €48.1 Mn** during the first quarter of the year, a **41.2% over the same period in 2013**. Cajasur Banco contributes with €3.2 Mn of positive Net income.

**MARGINS.** The negative impact of the evolution of interest rates and drop in volumes is reaching the bottom. A good job has been done in terms of funding costs, while **new loan production is gaining strength. Commissions continue its positive trend** supported by growth in volumes in asset under management.

**EXPENDITURES.** **General expenditures fell by 7.0%**, showing that Kutxabank's cost cutting policy remains unchanged.

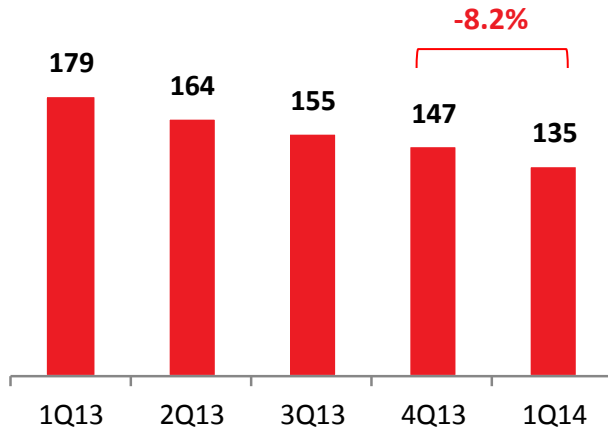
**PROVISIONING.** As a result of the **extremely prudent management** of the company, provisions increase by 33.5% yoy, after allocating €134 Mn during the first quarter of 2014.

# 1Q Results and business trends

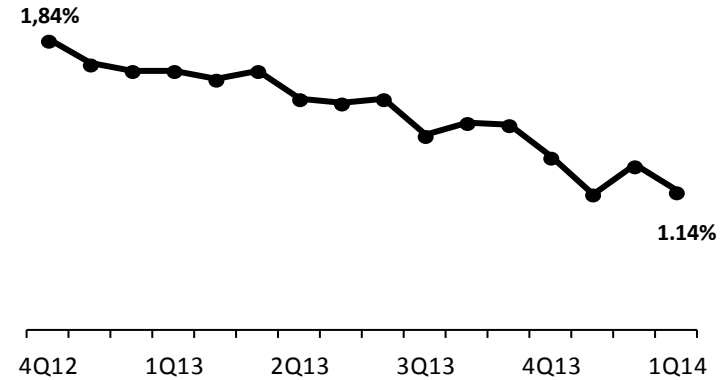
## Margin performance

Reduction on Interest expenses due to the lower funding costs. In particular, Customer deposits new entry price stands at 1.14%.

*Interest expenses quarterly evolution*



*Term deposits (new entry prices)*



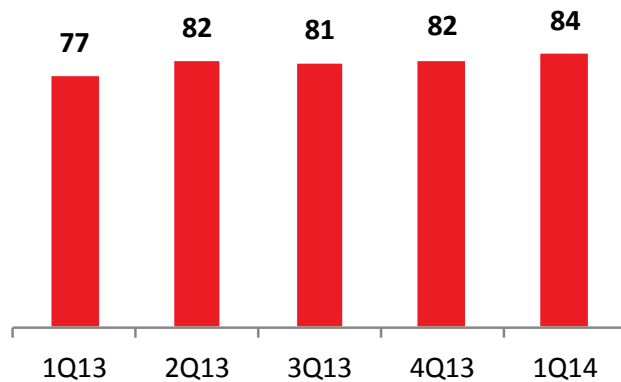


# 1Q Results and business trends

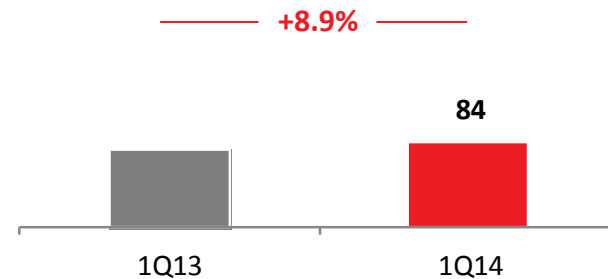
## Margin performance

Revenues from commissions increased supported by bigger volumes of assets under management.

*Net commissions quarterly evolution*



*Net commissions yoy*

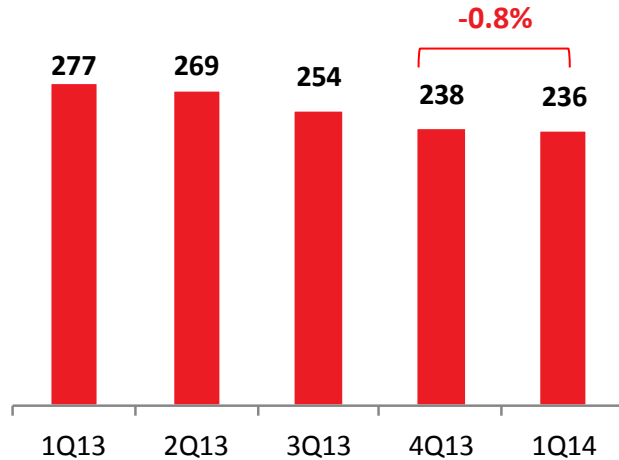


# 1Q Results and business trends

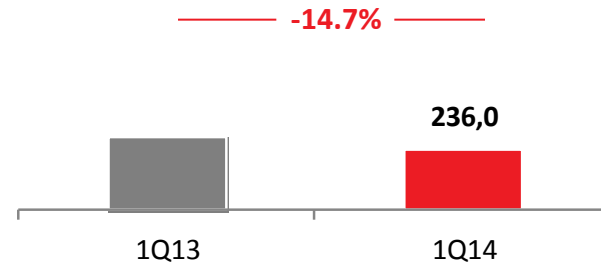
## Margin performance

The negative effect of the drop of interest rates over the loan portfolio its reaching its bottom. Client margin declines only by a 0.8% on 4Q13.

Client margin quarterly evolution



Client margin yoy

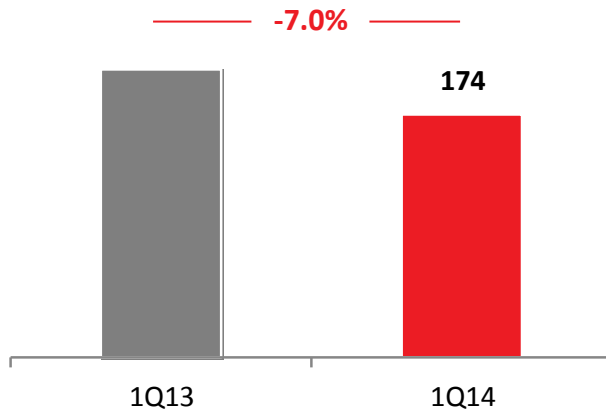


# 1Q Results and business trends

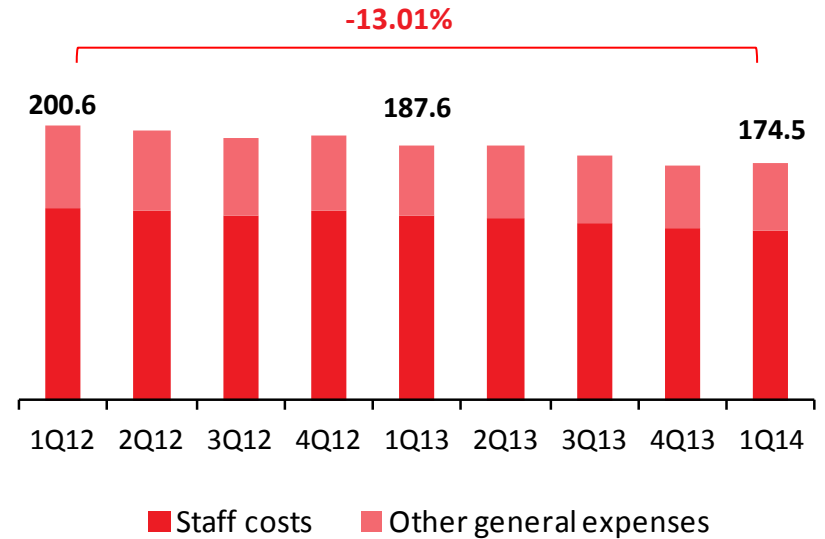
## General expenditures

General expenditures continue decreasing (-7.0% yoy) thanks to the cost cutting policy.

General expenditures quarterly evolution



Administrative expenses since the beginning

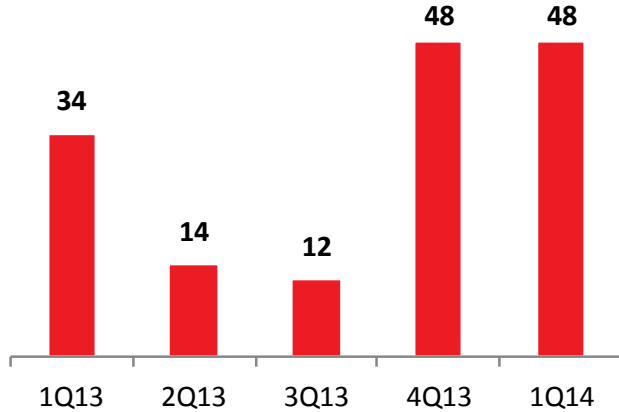


# 1Q Results and business trends

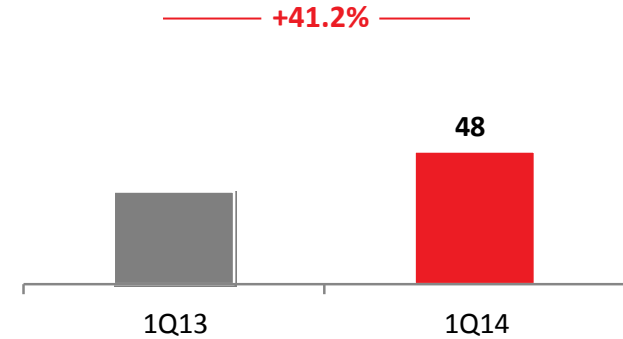
## Net Income

Kutxabank ends the quarter with a solid performance despite the low interest rate context. The consolidated net profit stood at €48.1 million (+41.2% yoy), after allocating €134 million in provisions.

*Net income quarterly evolution*



*Net income yoy*

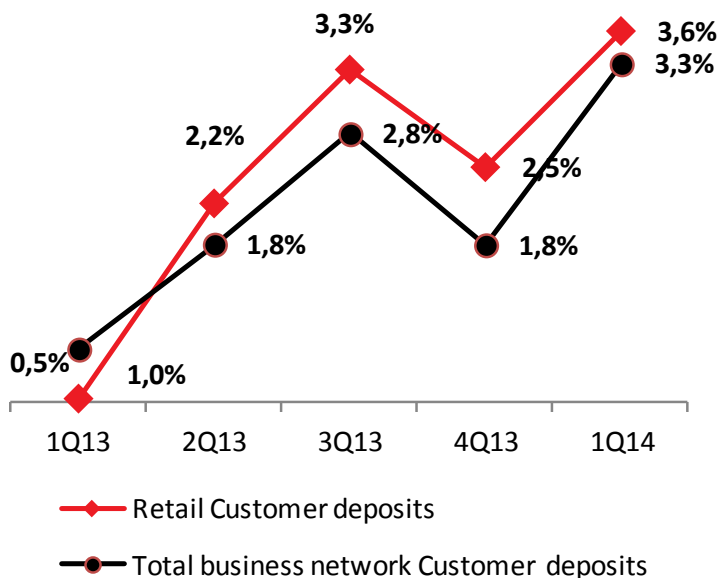


# 1Q Results and business trends

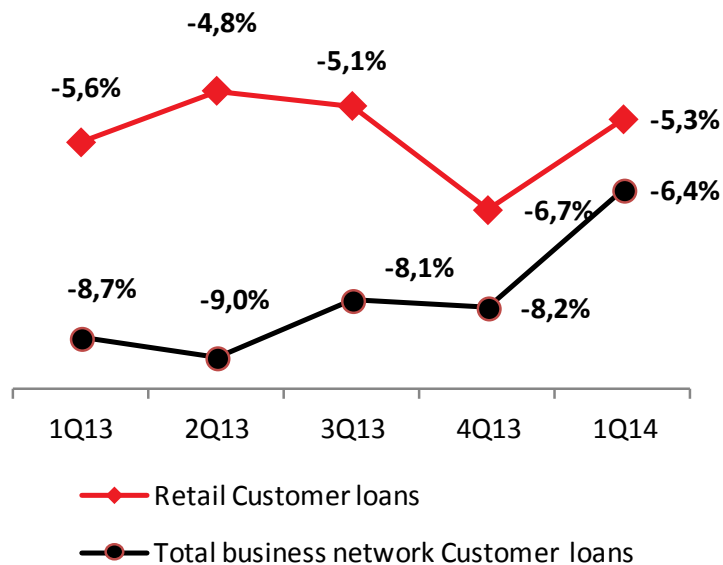
## Balance Sheet items performance

Deposits increase with a good contribution of the Retail network. The drop in volumes on the assets side still continues adding pressure over the Net interest margin.

Customer deposits + AuM yoy



Customer loans yoy

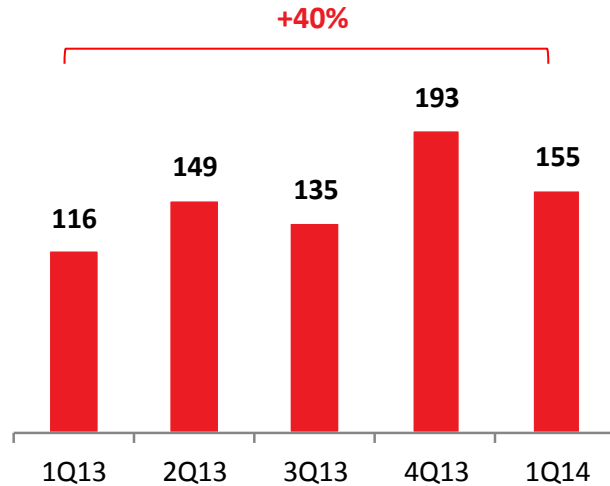


# 1Q Results and business trends

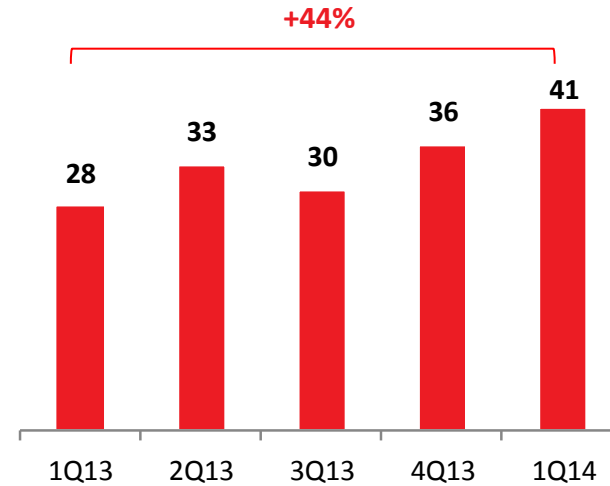
## Balance Sheet items performance

However, new production gains weight, showing a trend change.

*House purchasing mortgages*



*Consumption purposes for individuals*



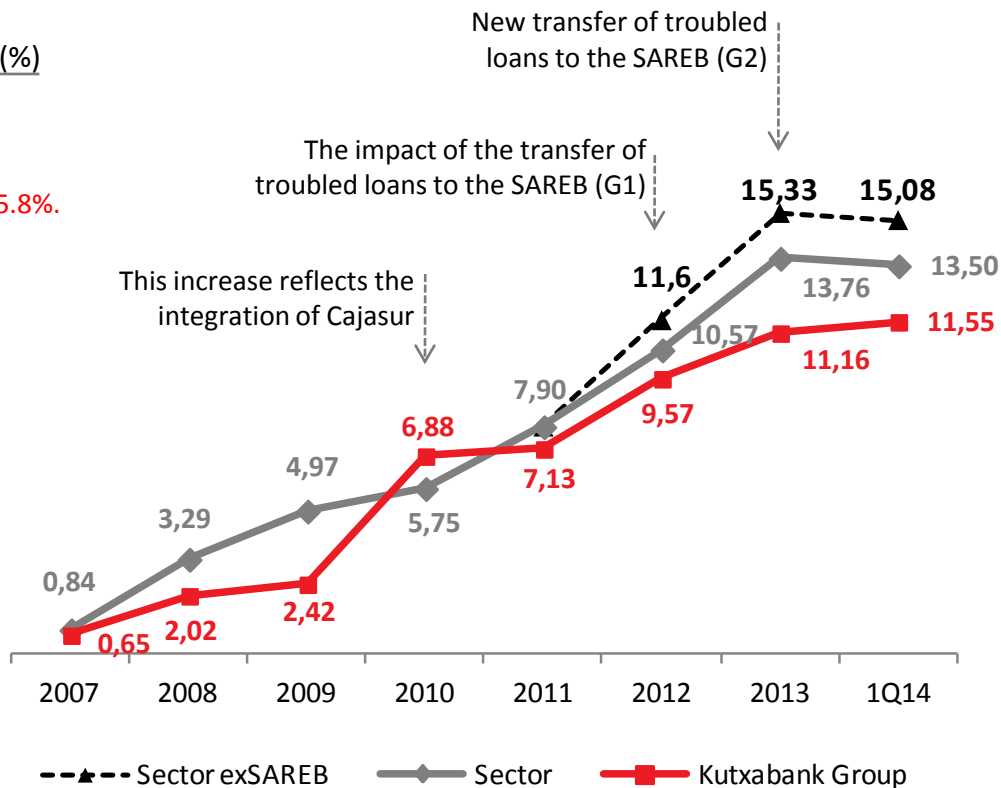
# 1Q Results and business trends

## NPL and coverage

In spite of not having transferred any troubled asset to the Spanish *Bad Bank* (SAREB), Kutxabank's NPL ratio is well below the sector average. The ratio is also affected by the decrease in volumes.

Dec-2013	NPL (%)	Coverage (%)
<b>Kutxabank (Parent Co.)</b>	<b>8.59</b>	<b>64.14</b>
<b>Kutxabank Group</b>	<b>11.55</b>	<b>56.14</b>

NPL ratio excluding Real Estate exposure stands at 5.8%.

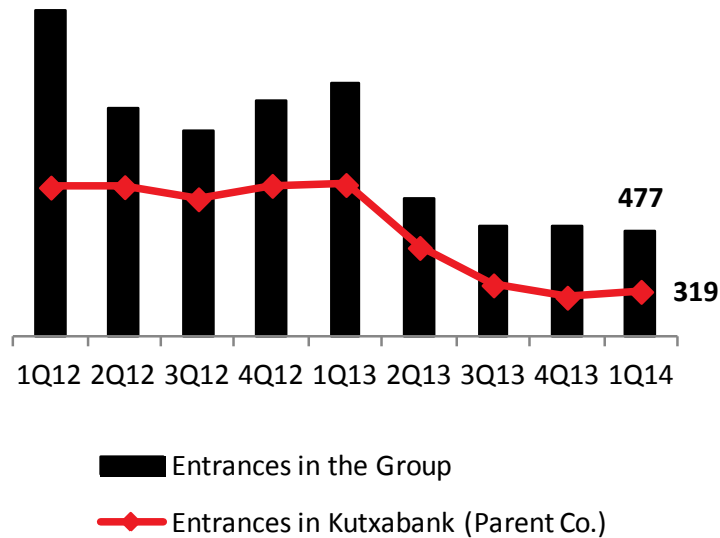


# 1Q Results and business trends

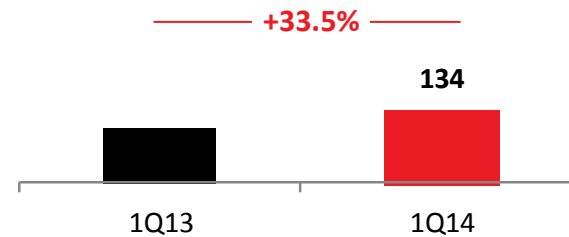
## NPL and coverage

The pace of the NPL entrances shows a clear positive trend which let us believe that situation is slightly improving.

*Doubtful asset entrances (€Mn)*



*Provisions (€Mn)*



<sup>1</sup> The last quarter figure includes a specific operation classified as substandard (not doubtful yet) by BoS.



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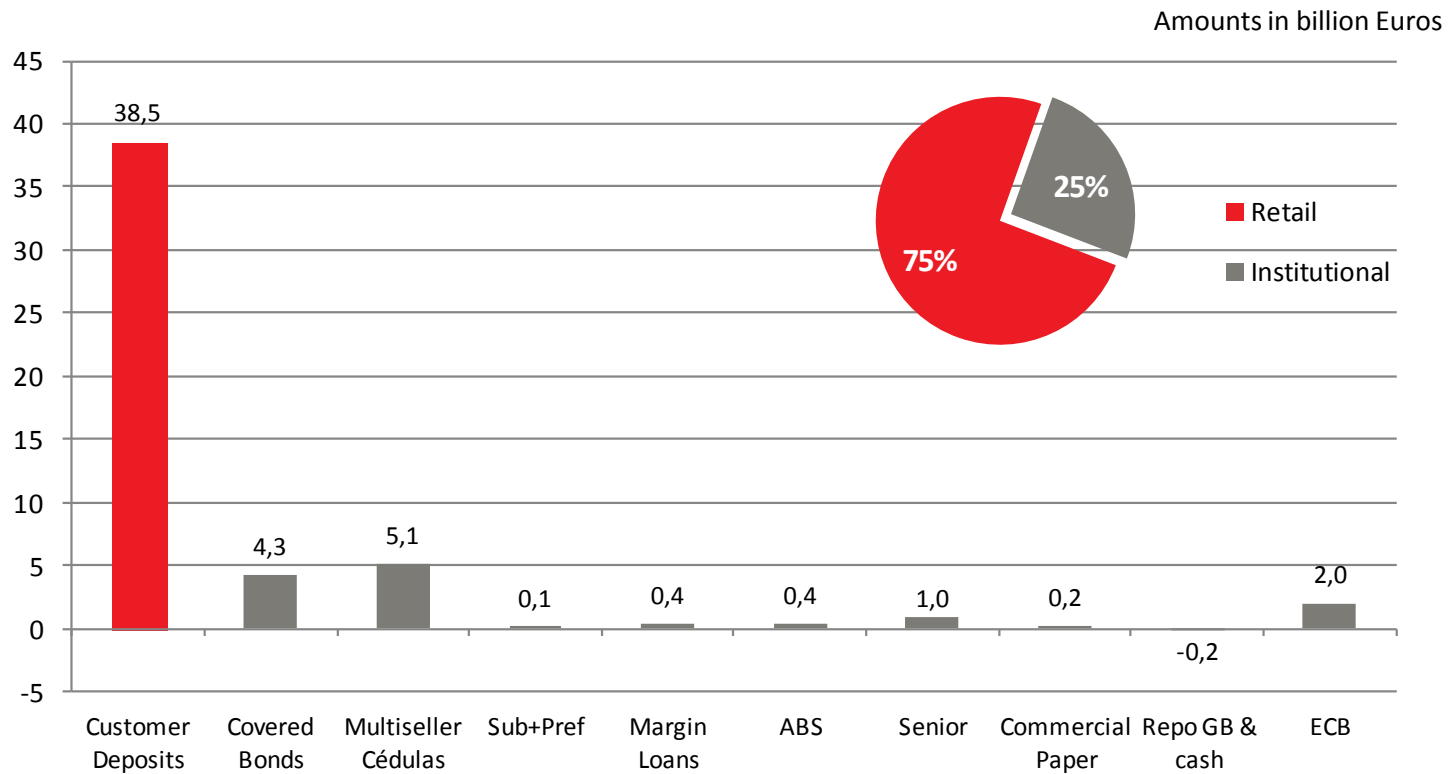
**B. 1Q Results and business trends**

**C. Liquidity management**

# Liquidity management

## Funding sources

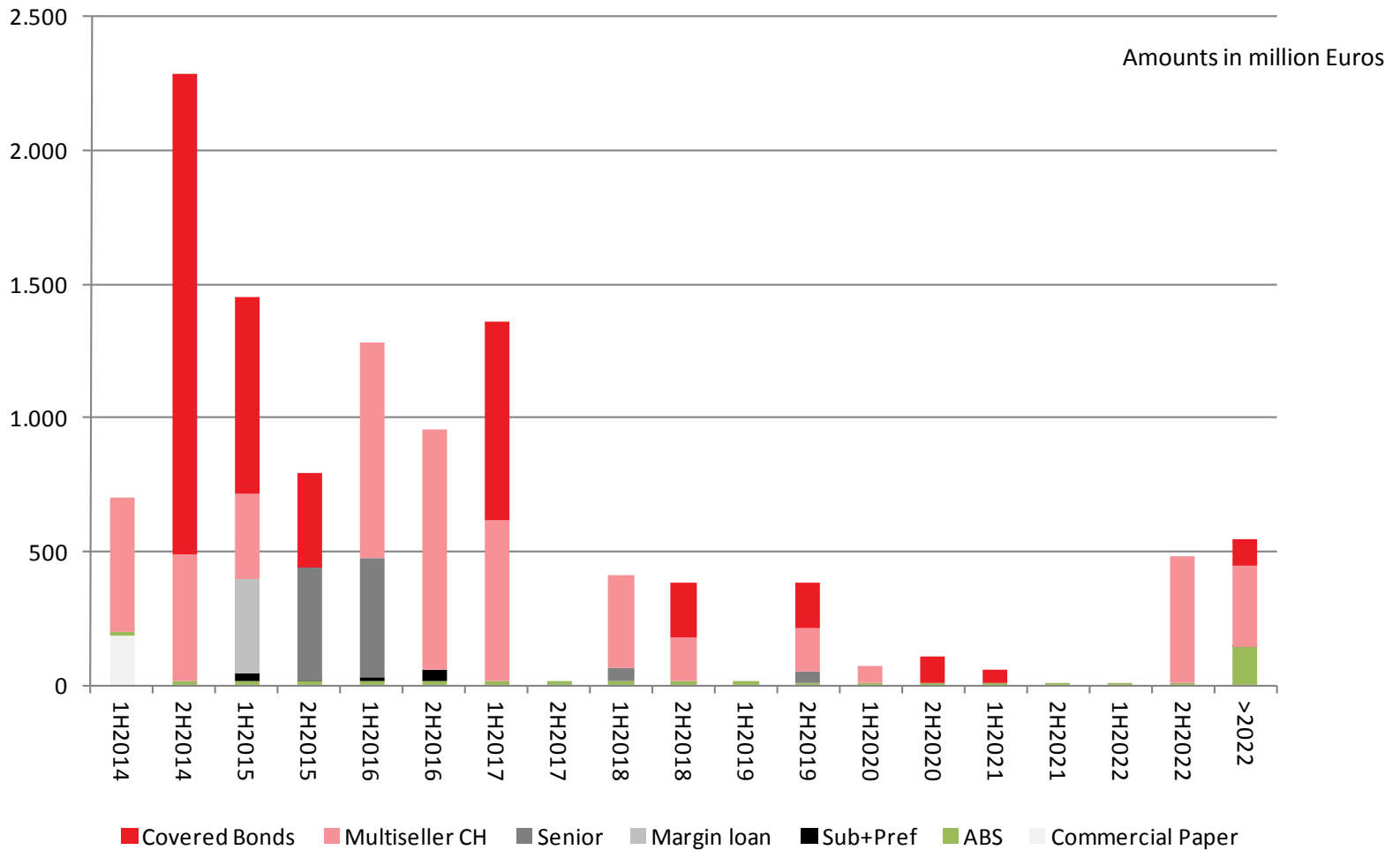
- Large and stable base of Customer Deposits.
- Low reliance on wholesale markets, with a lower than the average percentage of ECB funding (2.9%<sup>1</sup> of total assets as of the 1<sup>st</sup> quarter 2014).



<sup>1</sup> Including the cash position of €0.2bn in the market at the end of March.

# Liquidity management

## Wholesale funding maturity profile



# Liquidity management

## Liquid assets

Amounts in million Euros

<b>TOTAL</b>	<b>15,696</b>
<b>Liquid Assets not encumbered</b>	<b>6,181</b>
<i>Eligible collateral for ECB haircut deducted</i>	5,161
<i>Equity assets (LTV 80%)</i>	1,020
<b>Available Issuance Amount of Covered Bonds (Kutxabank)<sup>1</sup></b>	<b>7,713</b>
<b>Available Issuance Amount of Covered Bonds in Cajasur Banco<sup>2</sup></b>	<b>1,802</b>

<sup>1</sup> The figure includes the *Cédulas Territoriales* issuance capacity in Kutxabank, S.A. (Parent company): €907 Mn.

<sup>2</sup> The figure includes the *Cédulas Territoriales* issuance capacity in Cajasur Banco (the subsidiary): €85 Mn.

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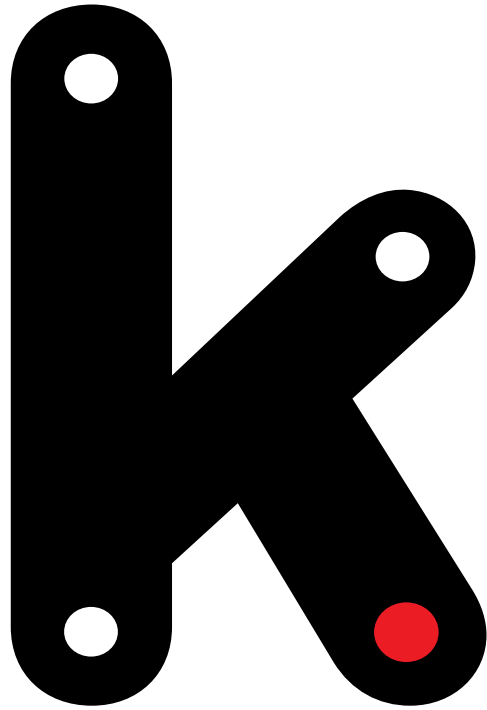
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