



Kutxabank 2Q2014 Results Presentation

28th August 2014





Index

A. Summary

B. 2Q Results and business trends

C. Solvency

D. Liquidity management

Index

A. Summary

B. 2Q Results and business trends

C. Solvency

D. Liquidity management

Summary

Key figures 2Q2014

BALANCE SHEET	(million Euros)
Total Assets	61,587.6
Customer Loans	46,118.9
Customer Deposits	43,556.4
Total Customer resources	64,774.7
Turnover	113,533.3
Equity	4,726.0

P&L STATEMENT (1H14)	(million Euros)
Net interest Margin	305.3
Net Commissions	170.4
Trading Income	96.7
Gross Margin	674.7
Operating Expenses	380.3
Pre-provisioning profit	294.5
Provisions	228.9
Other Incomes	21.0
Net Income	75.9

CAPITAL RATIOS (Basel III)	
CET1 ratio	12.6%
Tier I ratio	12.6%
Total capital ratio	13.0%

GENERAL RATIOS	
ROE	3.23%
ROA	0.25%
RORWA	0.43%
Efficiency ratio	56.36%
NPL ratio	11.18%
Coverage	55.58%

OTHER FIGURES	
Number of employees	6,502
Number of branches	1,027

Data as of 30th of June.

Summary

Main ideas

- Kutxabank obtains a **consolidated Net income of €75.9 Mn (+57.2% yoy)** in the first half of 2014, after allocating **€228.9 Mn in provisions**.
- Very positive performance of New lending though all Business Network, including SME. Customer deposits had a positive evolution too **(+4.6% yoy)**.
- **NPL new entry pace confirms the better trend observed** during the last quarters. **NPL ratio decreased** even though Loans keep decreasing.
- A **change in the Net Interest Margin trend** is seen, while maintaining the cost cutting policy **General expenditures decreased by 7.0%** on the same period of the previous year.
- **B3-Phased in Total capital** ratio grew up to **13.0%**, with a **62bp of CET1 generation** during the first half of the year.

Index

A. Summary

B. 2Q Results and business trends

C. Solvency

D. Liquidity management

2Q Results and business trends

P&L Statement

Amounts in million Euros

	1H2014	1H2013	Var.
Interest margin	305.3	387.6	-21.2%
Income from equity instruments	51.0	62.3	-18.1%
Equity method income	4.8	12.4	-61.0%
Net commissions	170.4	158.5	8.9%
Trading income	96.7	43.6	121.7%
Other operating income	46.5	53.4	-12.9%
Gross margin	674.7	717.9	-6.0%
General expenditures	348.4	374.5	-7.0%
Amortisations	31.9	36.2	-12.1%
Pre-Provisioning profit	294.5	307.2	-4.1%
Provisions	228.9	264.6	-13.5%
Operating income	65.6	42.6	54.0%
Other incomes	21.0	2.7	677.6%
Net income	75.9	48.3	57.3%

Kutxabank obtains a consolidated **Net income of €75.9 Mn** during the first half of the year, a **57.3% 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. Work continues in terms of reducing 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.

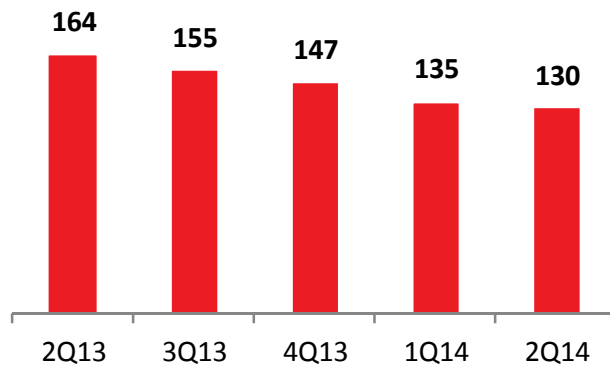
PROVISIONING. As a result of the **extremely prudent management** of the company, Kutxabank allocates €228.9 Mn in provisions during the first half of 2014.

2Q Results and business trends

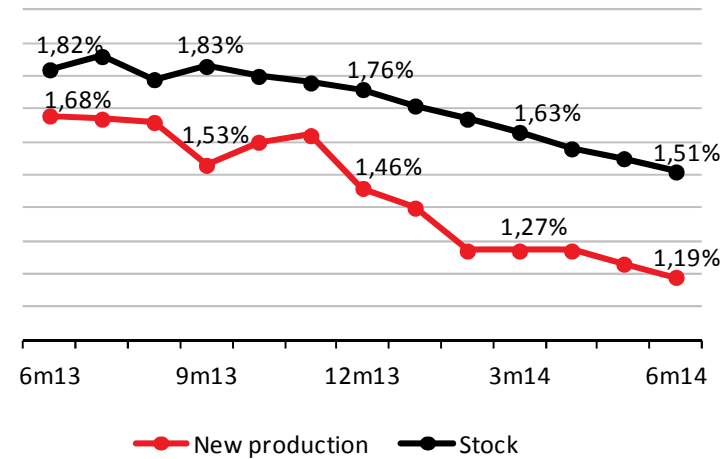
Margin performance

- Interest expenses keep decreasing due to the lower funding costs. The accumulated decline was 23% in yoy basis.
- Customer Term deposits new entry price stands at 1.19%.

Interest expenses quarterly evolution



Term deposits (new entry prices)

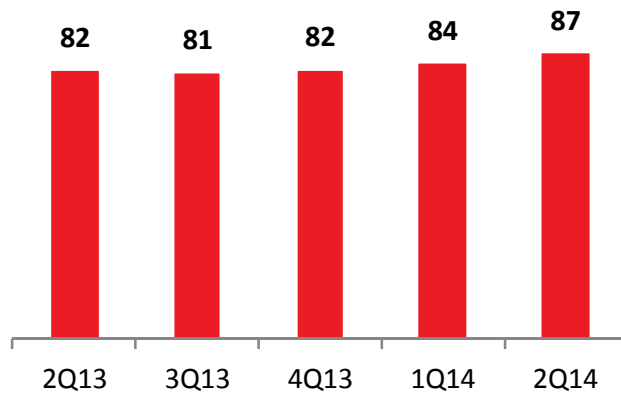


2Q Results and business trends

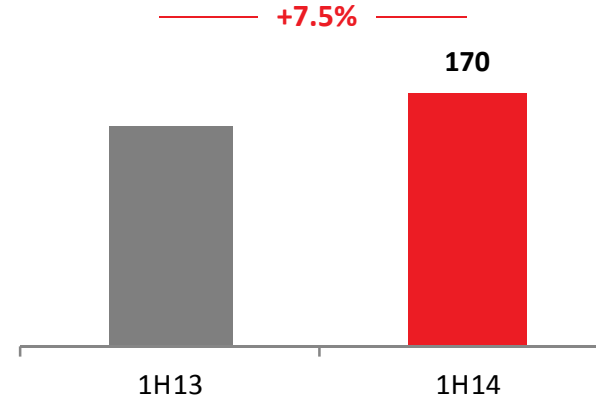
Margin performance

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

Net commissions quarterly evolution



Net commissions yoy

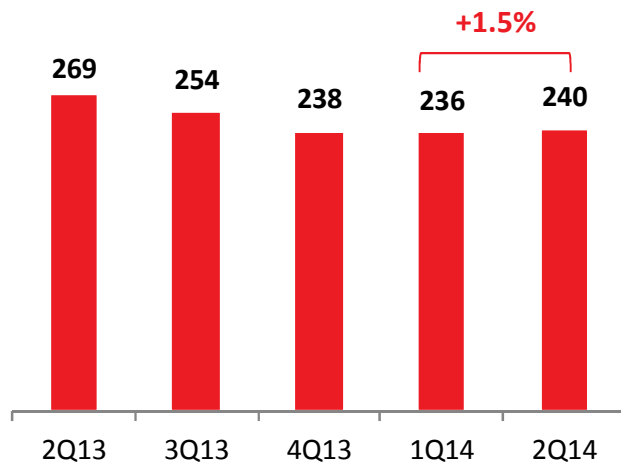


2Q Results and business trends

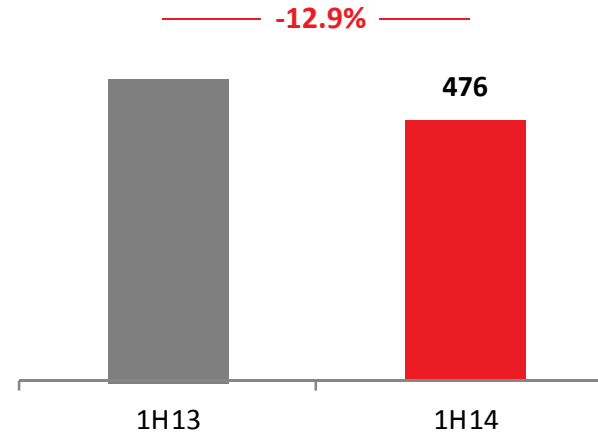
Margin performance

- The negative effect of the drop of interest rates over the loan portfolio has reached its bottom. Quarterly evolution of the Net Interest margin turns positive.
- Client margin experienced a rebound of 1.5% in the last quarter.

Client margin quarterly evolution



Client margin yoy

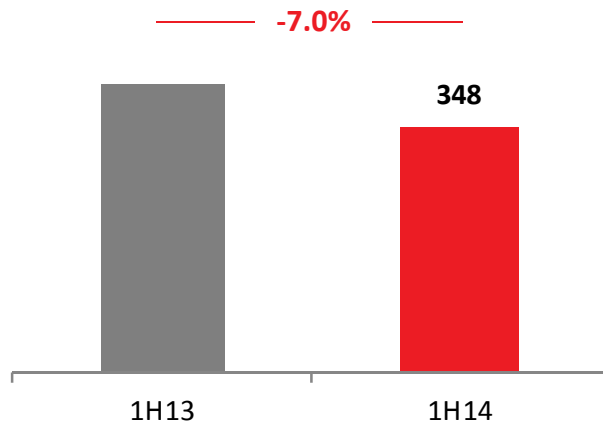


2Q Results and business trends

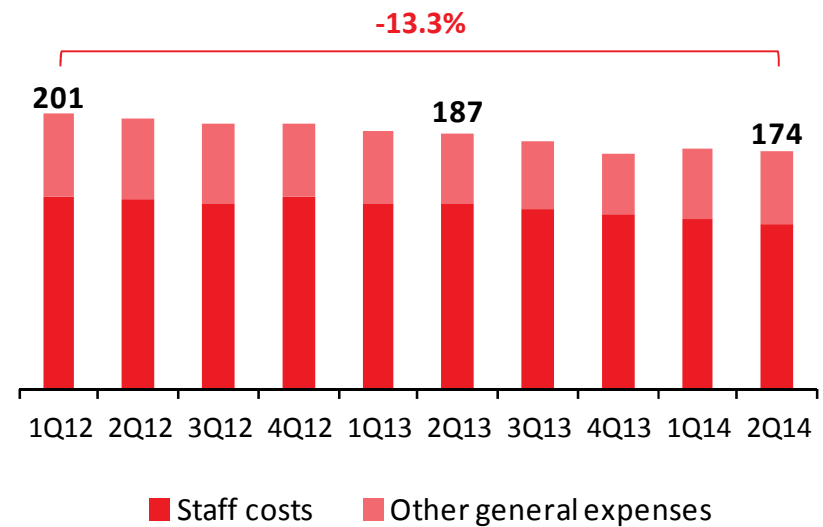
General expenditures

General expenditures continue decreasing thanks to the cost cutting policy.

General expenditures yoy evolution



Administrative expenses since the beginning

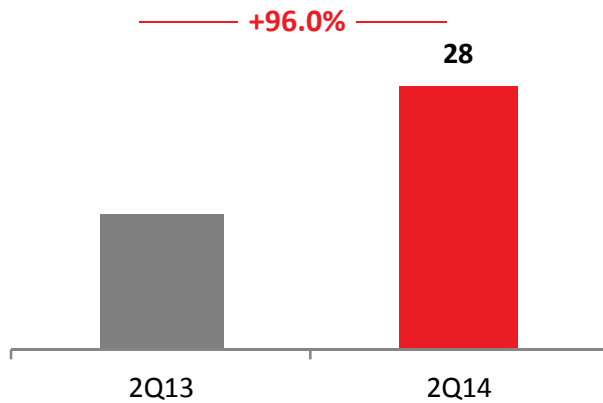


2Q Results and business trends

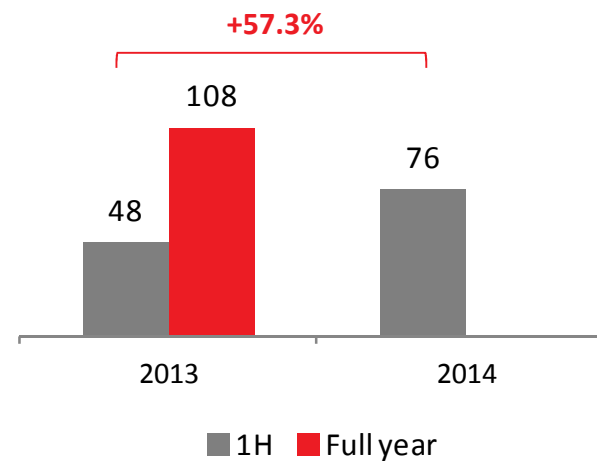
Net Income

Kutxabank ends the quarter with a solid performance despite the low interest rate context. The consolidated net profit stood at €75.9 million (+57.3% yoy), after allocating €228.9 million in provisions.

Net income quarterly evolution



Net income yoy

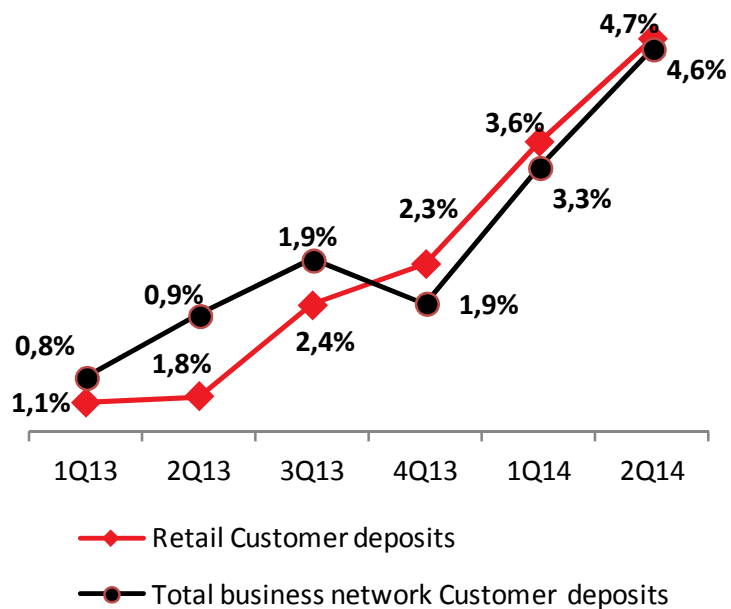


2Q Results and business trends

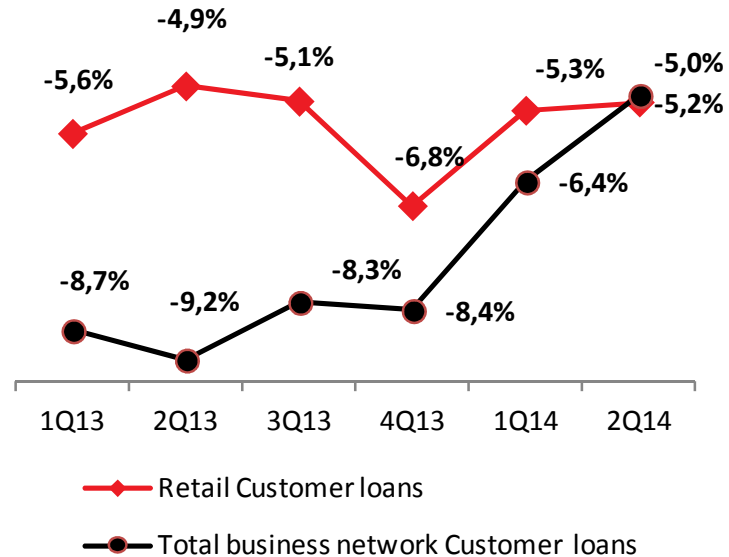
Balance Sheet items performance

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

Customer deposits + AuM yoy



Customer loans yoy

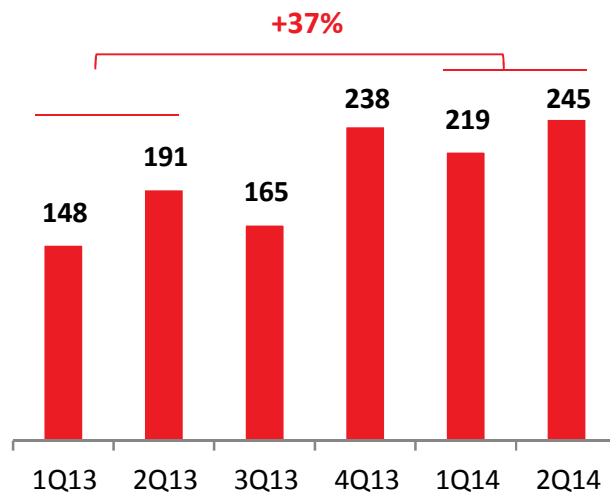


2Q Results and business trends

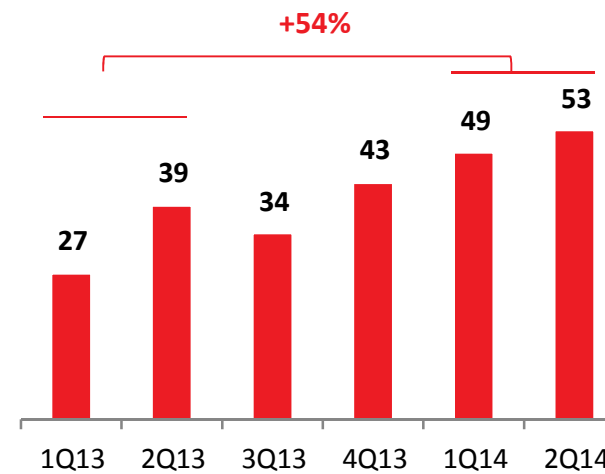
Balance Sheet items performance

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

House purchasing mortgages



Consumption purposes for individuals¹



¹ Only includes Kutxabank Credit unit.

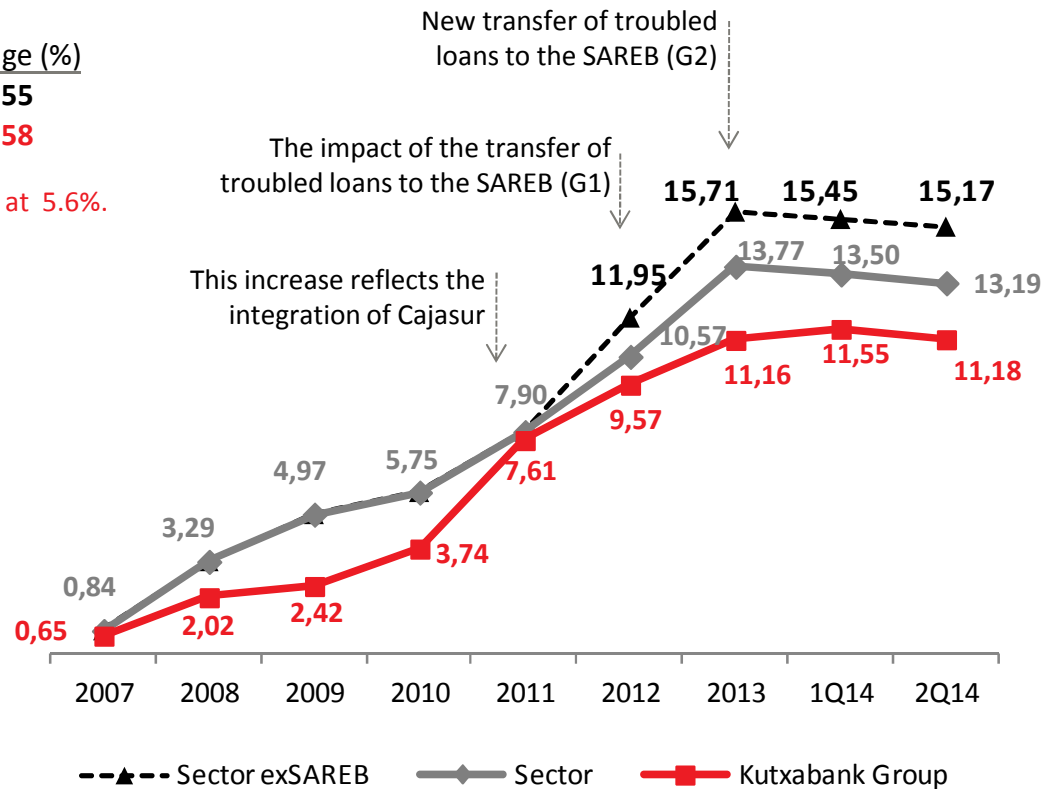
2Q Results and business trends

NPL and coverage

For the first time since the beginning of the crisis Kutxabank's NPL ratio declines. Besides, 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.

Mar-2014	NPL (%)	Coverage (%)
Kutxabank (Parent Co.)	8.41	70.55
Kutxabank Group	11.18	55.58

NPL ratio excluding Real Estate exposure stands at 5.6%.

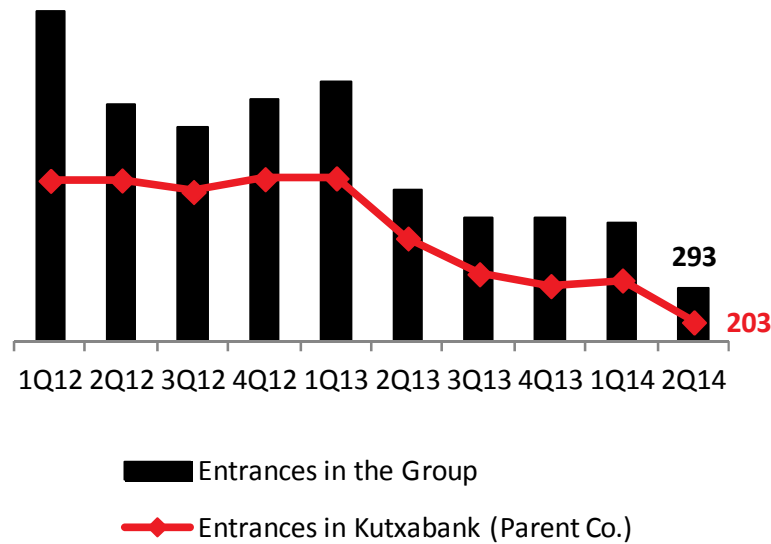


2Q Results and business trends

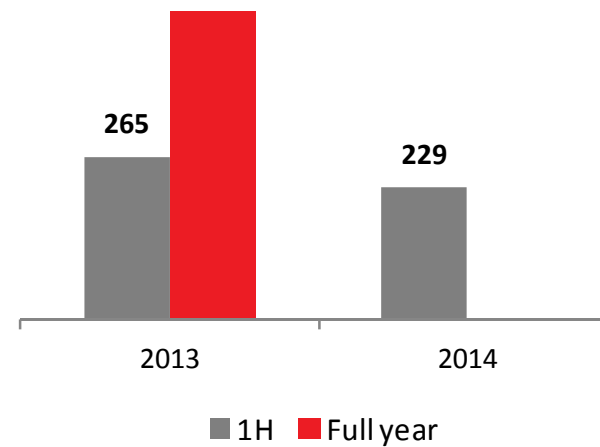
NPL and coverage

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

Doubtful asset entrances (€Mn)



Provisions (€Mn)



Index

A. Summary

B. 2Q Results and business trends

C. Solvency

D. Liquidity management

Solvency

Entering Basel III with a 62bp growth of CET1 in six months

	Mn€		
	4Q2014	1Q2014	2Q2014
Pashed in	B2	B3	B3
CET I capital	4,383.8	4,386.3	4,419.8
Tier I capital	4,384.4	4,386.3	4,419.8
Total capital	4,544.4	4,532.7	4,572.0
RWA	36,624.7	36,257.6	35,112.3
CET I ratio	12.0%	12.1%	12.6%
Tier I ratio	12.0%	12.1%	12.6%
Total capital ratio	12.4%	12.5%	13.0%
Leverage ratio	7.0%	7.1%	7.2%

Fully loaded		
CET I capital	4,222.3	4,338.8
Tier I capital	4,222.3	4,338.8
Total capital	4,369.1	4,491.4
Ratio CET I	11.7%	12.4%
Ratio Capital Total	12.1%	12.8%
Leverage ratio	6.9%	7.1%

- **Sound solvency.** Strong capitalization thanks to the more prudent management of the Basque savings banks integrated in Kutxabank.

- **High quality capital.** Almost whole capital made up of CET1 capital

- **No public aid required.**

- **Not any single asset transferred to SAREB** (Spanish *Bad Bank*).

Index

A. Summary

B. 2Q Results and business trends

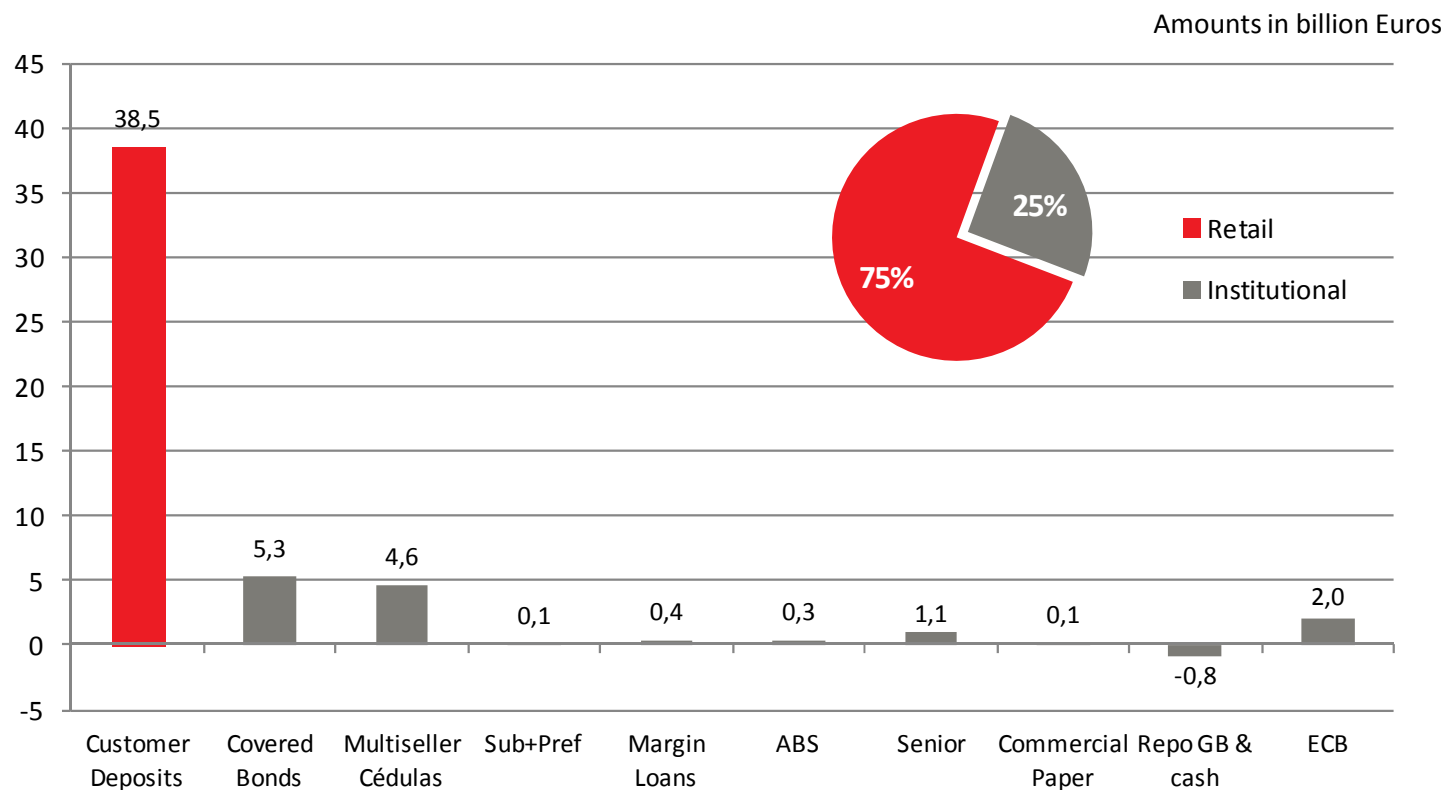
C. Solvency

D. Liquidity management

Liquidity management

Funding sources

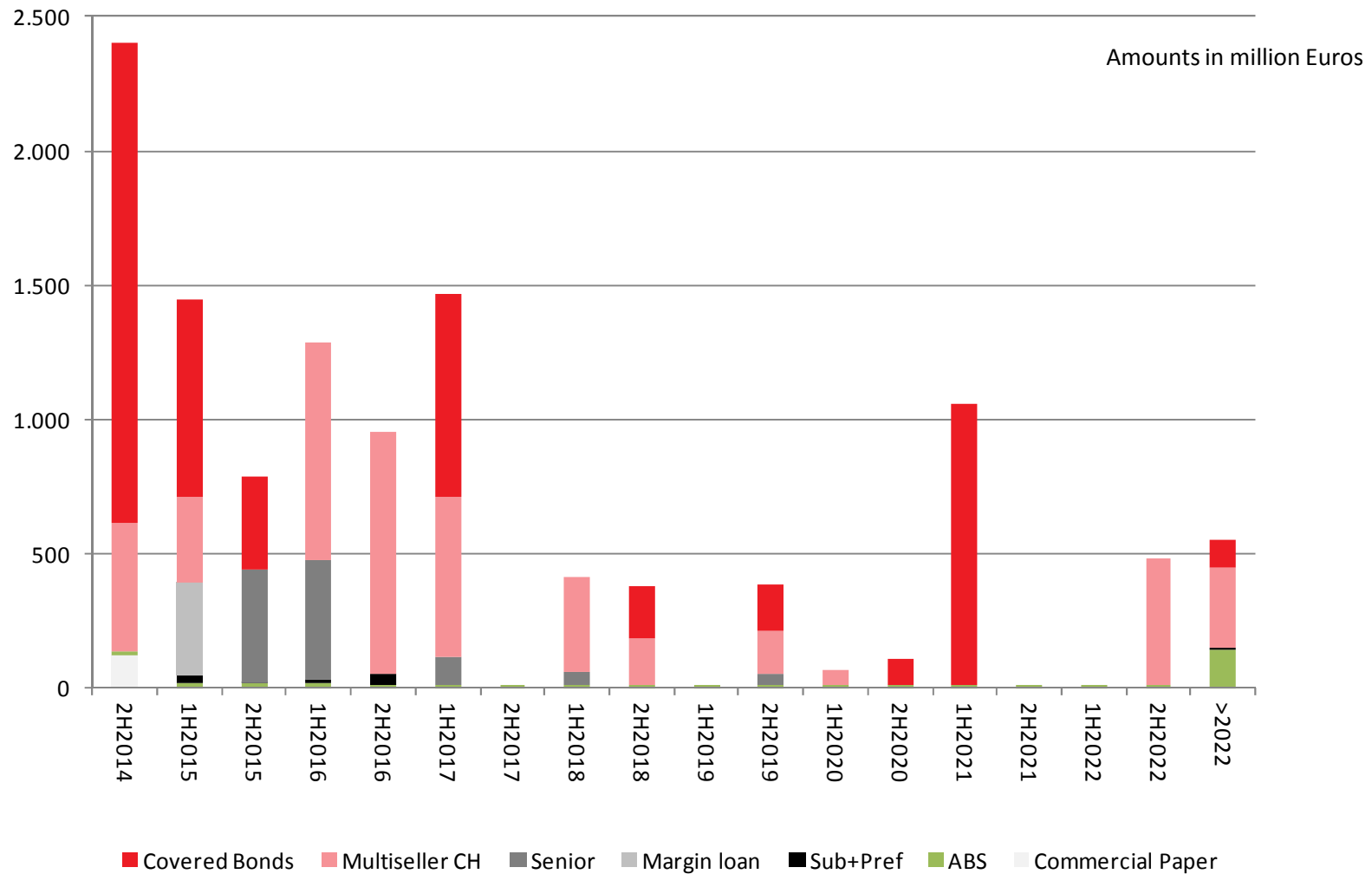
- Large and stable base of Customer Deposits.
- Low reliance on wholesale markets, with a lower than the average percentage of ECB funding (1.95%¹ of total assets as of the 2nd quarter 2014).



¹ Including the cash position of €0.8bn in the market at the end of June.

Liquidity management

Wholesale funding maturity profile



Liquidity management

Liquid assets

Amounts in million Euros

TOTAL	16,877
Liquid Assets not encumbered	7,786
<i>Eligible collateral for ECB haircut deducted</i>	6,836
<i>Equity assets (LTV 80%)</i>	950
Available Issuance Amount of Covered Bonds (Kutxabank)¹	7,244
Available Issuance Amount of Covered Bonds in Cajasur Banco²	1,847

¹ The figure includes the *Cédulas Territoriales* issuance capacity in Kutxabank, S.A. (Parent company): €1,046 Mn.

² The figure includes the *Cédulas Territoriales* issuance capacity in Cajasur Banco (the subsidiary): €70 Mn.

Liquidity management

Liquidity ratios

Loan to Deposit ratio	118.6	(%). Multiseller Cédulas not included ¹ . Outstanding Securitised loans not included.
Leverage ratio	7.2	(%). Tier I capital/Total Assets.
ECB funding vs Sector	56.3	(%). ECB funding as a percentage of total assets, in comparison to the Sector average (Sector=100%).
Institutional to Total funding	25.1	(%). All the wholesale funding sources included.
Basel III: LCR²	204	(%). Liquidity Coverage Ratio, complied in advance.
Basel III: NSFR	104	(%). Net Stable Funding Ratio, complied in advance.
Wholesale funding WAMaturity	2.6	(Years). Wholesale funding sources, ECB included.

¹ According to official rules, Multiseller Cédulas are included in the Consolidated Balance Sheet "Customer Deposits" accounting heading.

Disclaimer

This document, its content, its annexes and/or amendments (the “Document”) has been made up by Kutxabank, S.A. (“Kutxabank”) for information purposes only and does not constitute, nor must it be interpreted as, an offer to buy or sell, any securities, futures, options or other financial instruments. None of the information contained in this Document constitutes a recommendation of investment, or legal, tax or any other type of advise and it should not be relied upon to make any investment or decision. Any and all the decisions taken by any third party as a result of the information contained in this Document, are the sole and exclusive risk and responsibility of that third party and Kutxabank shall not be responsible for any damages drove from the use of this document or its content. Any decision to buy or invest in securities in relation to a specific issue must be made solely and exclusively on the basis of the information set out in the pertinent prospectus filed by Kutxabank in relation to such specific issue.

The facts and opinions included in this Document are furnished as to the date of this Document and are based on Kutxabank’s estimations and on sources believed to be reliable by Kutxabank but Kutxabank does not warrant its completeness, timeliness or accuracy. The facts, information and opinions contained in this Document are subject to changes and modifications.

This Document has at no time been submitted to the Comisión Nacional del Mercado de Valores (CNMV – the Spanish Stock Markets regulatory body) for approval or scrutiny. In all cases its contents are regulated by the Spanish law applicable at time of writing, and it is not addressed to any person or legal entity located in any other jurisdiction. For this reason it may not necessarily comply with the prevailing norms or legal requisites as required in other jurisdictions.

This Document may contain declarations which constitute forward-looking statements and referents to Kutxabank’s current intentions, believes or expectations regarding future events and trends which under no circumstances constitute a warranty as to future performance or results.

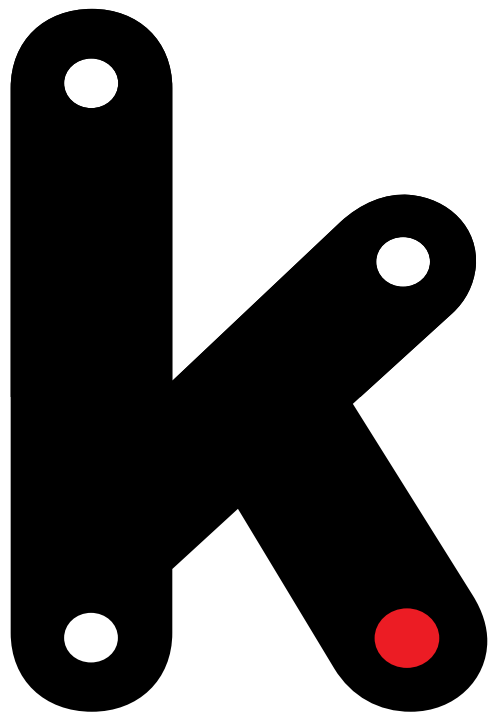
This Document has been furnished exclusively as information and it must not be disclosed, published or distributed without the prior written consent of Kutxabank. Any failure to observe this restriction may constitute a legal infraction which may be sanctioned by law.

CONTACTS

Kutxabank's Investor Relations Team
investor.relations@kutxabank.es
T. +34 943 001271/1233
www.kutxabank.com

10 Portuetxe,
20018, Donostia-San Sebastian
(Spain)





kutxabank