

# Kutxabank 1H2016 Results snapshot

---

*28<sup>th</sup> july 2016*



# 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.

# 1H2016 Results snapshot

## Main highlights

### 1 Banking business

- **New production momentum is maintained**
  - **Strong increases** in both the granting of new mortgages and consumption in retail banking
  - **Significant progress** is also made **in wholesale Investment**
- **Increased Customer funds** with **better management of prices** compared to peers
  - **Positive evolution** of **Off-balance sheet deposits** despite the difficult market environment

### 2 Cost contraction

Discipline in implementing cost containment policies continues to bear fruit  
**General expenditures fell by** an additional **6%**

### 3 Reduction of NPLs

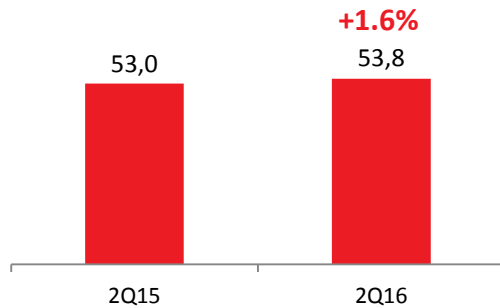
**Stock of doubtful assets is reduced ahead of expectations**  
**Lower requirements of provisions and impairments**

# Banking business performance

## Customer resources

Total Customer resources increased by **1.6%** YoY, standing out the good performance of retail business networks.

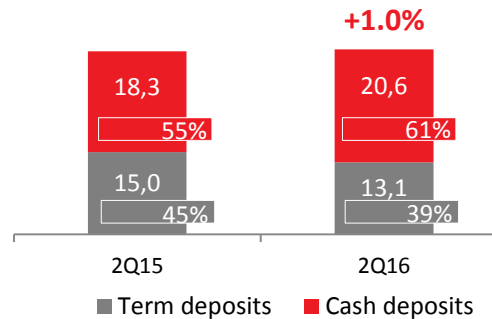
Chart 1. Total Customer resources evolution (€bn).



The bias towards cash deposits increases.

The mix Cash&Term deposits rises by **1.0%** YoY.

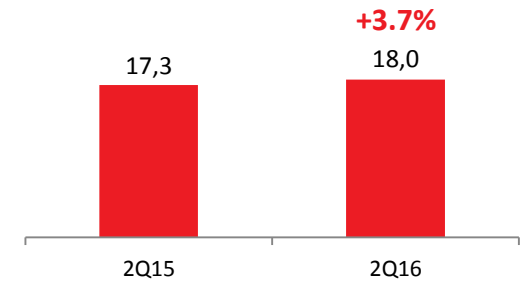
Chart 2. Term+Cash Deposits (€bn).



Assets under Management grow by **3.7%** YoY, in spite of market valuation impact.

Kutxabank AM leads the ranking of domestic Asset Managers by net subscriptions in the first half of the year.

Chart 3. Assets Under Management (€bn).



# Banking business performance

## Customer loans

*Continues the boost of new production*

### Retail business network

#### **Mortgages**

**+39.7% YoY**

(1H16 vs 1H15)

#### **Consumption**

**+30.8% YoY**

(1H16 vs 1H15)

### Wholesale business network

#### **SMEs, Foreign trade lending**

**+13.3% YoY**

(1H16 vs 1H15)

#### **SMEs, Trade discount**

**+6.4% Yoy**

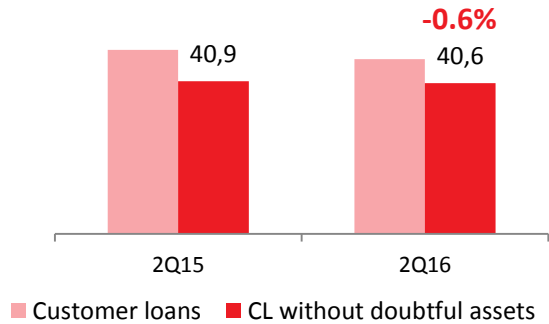
(1H16 vs 1H15)

# Banking business performance

## Customer loans

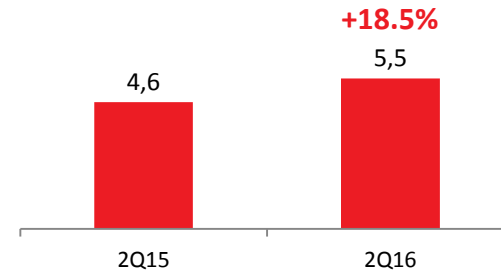
Deleveraging effect loses strength and **performing loan portfolio keeps stable.**

Chart 4. Customer loans evolution (€bn).



Customer loans balances in SMEs and Corporates **increase by 18.5% YoY.**

Chart 5. SMEs and Corporates investment (€bn).



# Banking business performance

## Digital solutions

- More than **600.000 contact-less cards**
- Active participation in sectors' project "**Bizum**" of **immediate payments**
- Launching of the initiative "**web responsive**"
- Implementation of the new "**omnichannel digital signature**"
- Access to customers to the "new virtual card"**

**More than 31% of customers operates primarily through internet**

**75% of users between 45 and 54 do not operate through branches**

**More than 50% of access to the web are made through mobile devices**

# 1H2016 Results snapshot

## 1H2016 P&L Statement

	1H2016	1H2015	% var.
Million of Euros			
Interest margin	287.4	313.6	-8.3%
Net commissions	172.2	181.6	-5.2%
<b>Income from customers</b>	<b>459.6</b>	<b>495.1</b>	<b>-7.2%</b>
Income from equity instruments	86.8	40.8	112.7%
Trading income	28.4	34.5	-17.7%
Other operating income	35.5	36.2	-1.8%
<b>Gross margin</b>	<b>610.2</b>	<b>606.6</b>	<b>0.6%</b>
General expenditures	-328.9	-349.9	-6.0%
Amortisations	-26.5	-27.5	-3.5%
<b>Pre-provisioning profit</b>	<b>254.8</b>	<b>229.3</b>	<b>11.1%</b>
Provisions and impairments	126.8	292.5	-56.6%
Other income	27.5	166.6	-83.5%
<b>Pre-tax income</b>	<b>155.4</b>	<b>103.4</b>	<b>50.4%</b>
<b>Net income</b>	<b>144.2</b>	<b>122.7</b>	<b>17.5%</b>



# 1H2016 Results snapshot

## Interest margin

- Interest income continues pressured by the Euribor.
- The higher margins on new loans help maintaining stable the profitability of the portfolio.

Chart 6. Interest income evolution (€Mn).

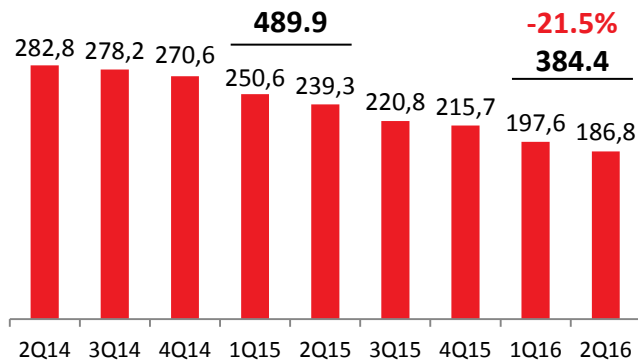
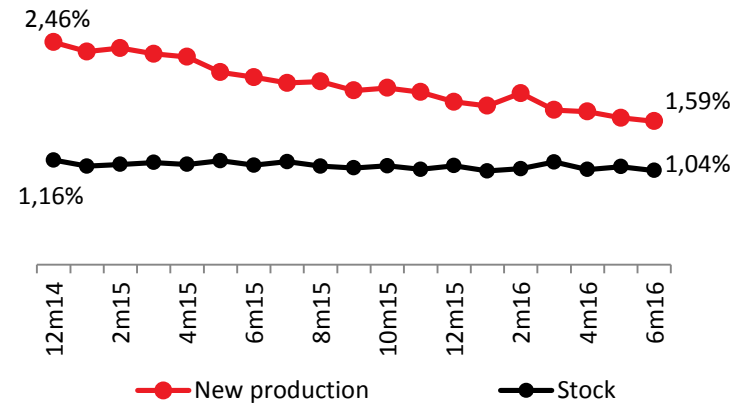


Chart 7. Spread in Mortgages.



# 1H2016 Results snapshot

## Interest margin

- Cost of funding keeps decreasing at high rates, helping to contain the fall in revenues in the current context of low interest rates.
- The new entry prices beat peers.

Chart 8. Interest expenses evolution (€Mn).

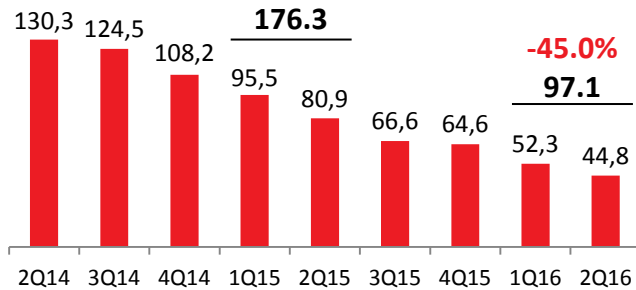
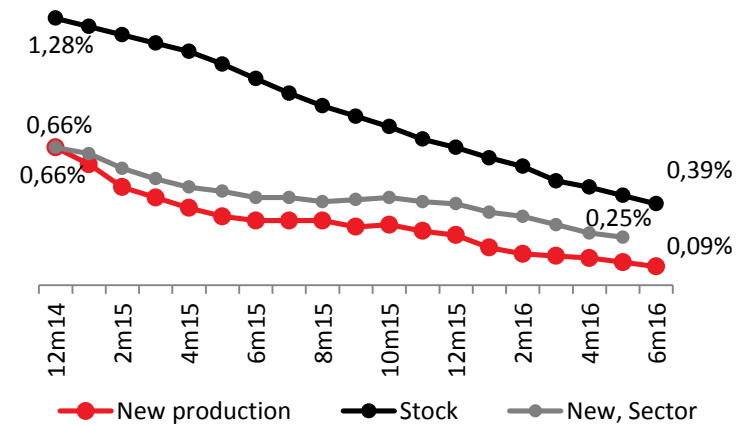


Chart 9. Cost of Term deposits.



# 1H2016 Results snapshot

## Interest margin

- **Interest margin** fell in line with forecasts, impacted by the Euribor evolution.
- **Client margin** remains stable thanks to good price management.

Chart 10. Interest margin evolution (€Mn).

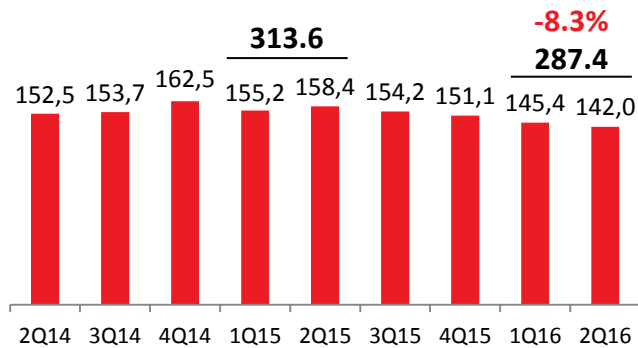
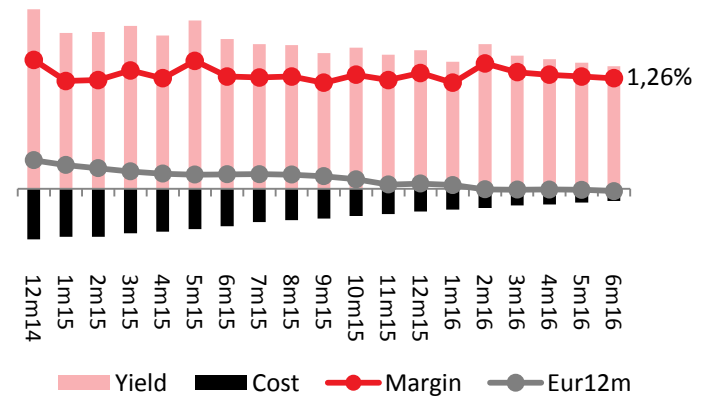


Chart 11. Client margin evolution.



# 1H2016 Results snapshot

## Commissions

- Slight contraction in Commissions, driven by market instability and regulatory aspects.
- Highlights the improvement of the **Insurance business** that increased its contribution by **+14.2% YoY**.

Chart 12. Breakdown of Income from services<sup>1</sup>.

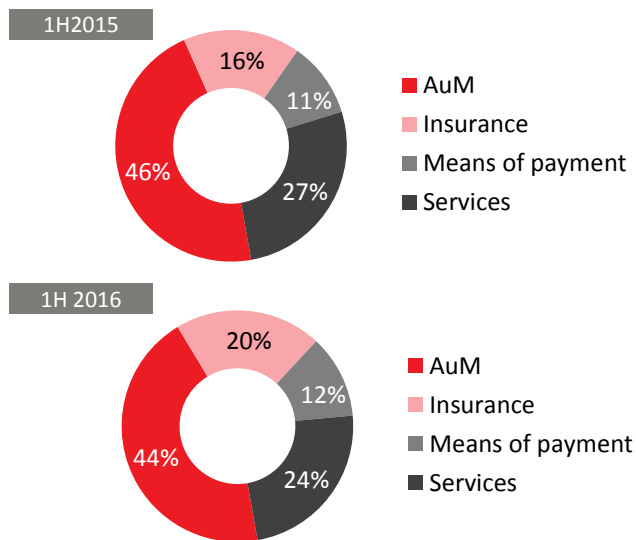
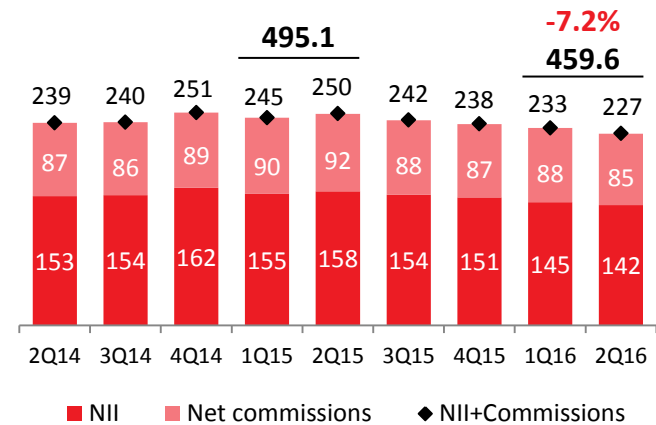


Chart 13. Aggregate of NIM and commissions (€Mn).



<sup>1</sup> Addition of Kutxabank and CajaSur.

# 1H2016 Results snapshot

## Operating expenses

- **Costs** continues its **positive development**.
- **General expenditures** decrease by 6,0% YoY, **contributing to results in more than 20 €Mn** so far this year.

Chart 14. Operating expenses evolution (€Mn).

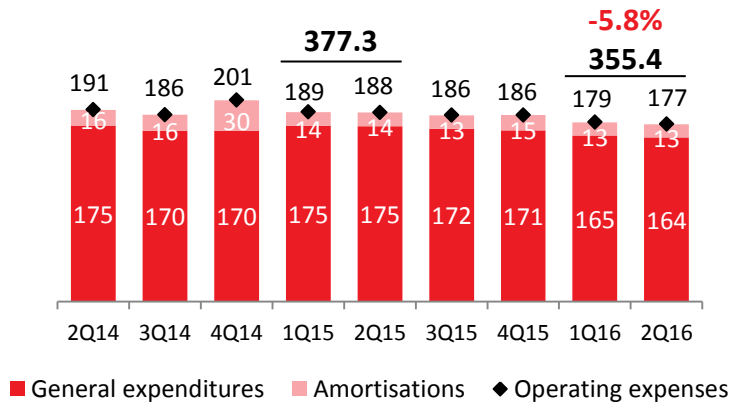
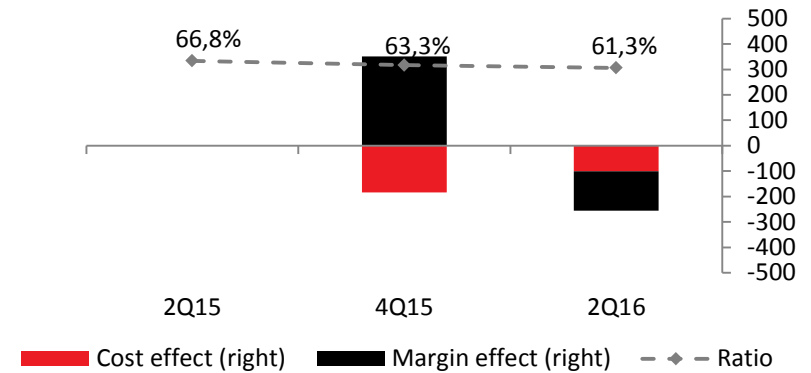
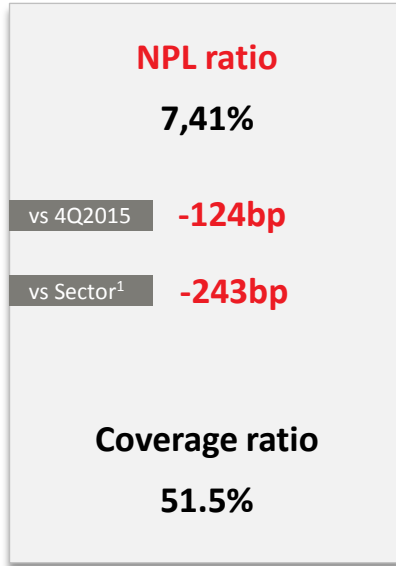


Chart 15. Efficiency ratio evolution.



# 1H2016 Results snapshot

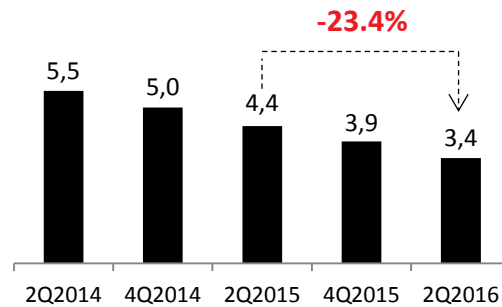
## Delinquency and provisioning



Doubtful loan stock continues trending down.

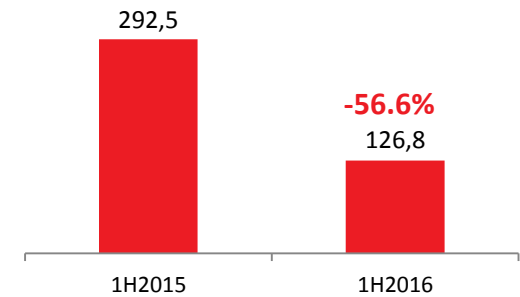
The stock is reduced **by more than 1bn** in twelve months.

Chart 16. Doubtful loan stock evolution (€bn).



**Lower** needs for **provisions and impairments**.

Chart 17. Provisioning (€Mn).



<sup>1</sup> Last available data for the sector: May 2016.

# 1H2016 Results snapshot

## Net income

- Net income rose **17.5% YoY** thanks to the efforts made in Costs and lower provisioning needs.

Chart 18. Net income evolution (€Mn).

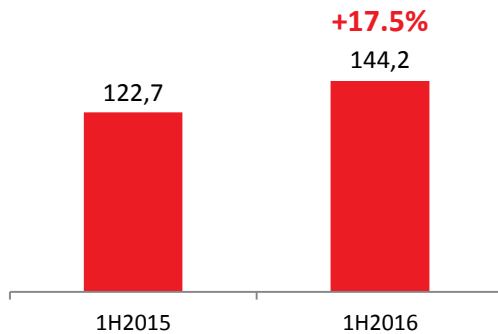
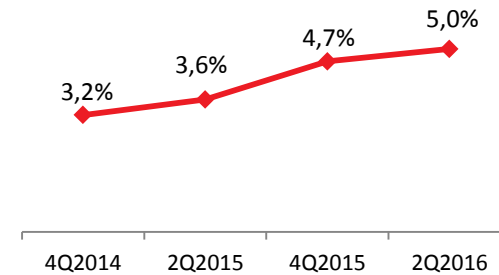














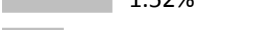


Chart 19. ROE evolution.



# Solvency and Liquidity

## Solvency position

Entity	Ranking	CET1 4Q2015	Excess over SREP requirement	Minimum SREP Requirement
 Kutxabank	1	14.61%	 5.56%	9.05%
Bank 2	2	12.84%	 3.59%	9.25%
Bank 3	3	12.90%	 3.59%	9.31%
Bank 4	4	13.89%	 3.57%	10.31%
Bank 5	5	13.67%	 3.42%	10.25%
Bank 6	6	13.05%	 3.30%	9.75%
Bank 7	7	11.77%	 3.02%	8.75%
Bank 8	8	13.11%	 2.86%	10.25%
Bank 9	9	12.55%	 2.80%	9.75%
Bank 10	10	11.95%	 2.70%	9.25%
Bank 11	11	12.09%	 2.34%	9.75%
Bank 12	12	11.50%	 2.25%	9.25%
Bank 13	13	11.77%	 1.52%	10.25%
Bank 14	14	11.10%	 0.85%	10.25%



Sample of entities: Kutxabank, Abanca, Bankinter, Bankia, BBVA, BMN, B. Popular, B. Sabadell, Caixabank, Cajamar, Ibercaja, Liberbank, Santander and Unicaja.



# Solvency and Liquidity

## Liquidity position and Funding maturities

Chart 20. Funding sources breakdown.

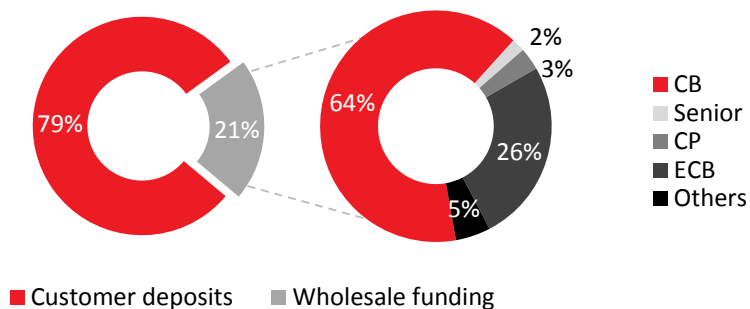
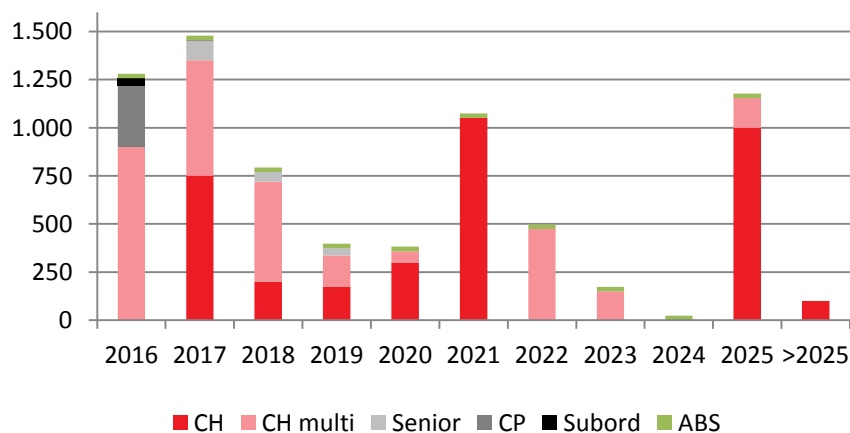


Chart 21. Liquid assets (€Mn).

TOTAL	19,677
Liquid Assets not encumbered	7,068
Eligible collateral for ECB haircut deducted	5,797
Equity assets (LTV 80%)	1,271
Available Issuance Amount of Covered Bonds <sup>1</sup>	12,609

Chart 22. Maturity profile (€Mn).



<sup>1</sup> The figure includes additional issuance capacity of both Kutxabank and CajaSur through Cédulas Hipotecarias and Cédulas Territoriales.

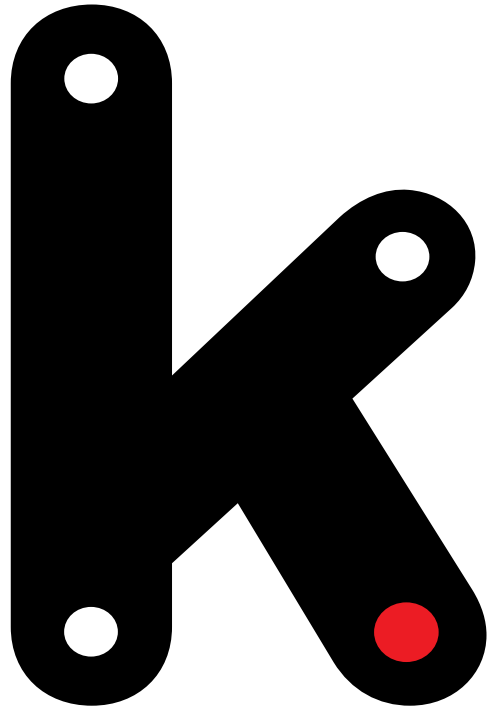
## CONTACTS

---

Kutxabank's Investor Relations Team  
[investor.relations@kutxabank.es](mailto:investor.relations@kutxabank.es)  
T. +34 943 001271/1233  
[www.kutxabank.com](http://www.kutxabank.com)

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





kutxabank