Kutxabank 3Q2013 Results Presentation

12th November 2013

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Summary
Key figures 3Q2013

Balance Sheet Amounts in million Euros

Total Assets	64,127.3
Customer Loans	46,812.3
Customer Deposits	44,595.8
Total Customer resources	62,381.0
Turnover	112,297.2
Equity	4,655.8

P&L Statement Amounts in million Euros

Net interest Margin	560.3
Net Commissions	239.5
Trading Income	106.9
Gross Margin	1,035.4
Operating Expenses	609.0
Income prior to write-downs	426.5
Provisions	391.3
Other Incomes (other provisions)	12.9
Net Income	60.3

Capital ratios

BIS Ratio	11.9%
Core Capital Ratio	11.4%
Tier I Ratio	11.4%
Capital Principal Ratio (24/2012 RD)	11.4%

General ratios

ROE	1.74%
ROA	0.12%
RORWA	0.21%
Efficiency Rate	58.81%
NPL Ratio	10.88%
Coverage	64.75%

Other figures

Number of employees	6,904
Number of branches	1,074

Summary
Main ideas

- Kutxabank obtains a consolidated net profit of €60.3 million, just a 4.4% below the profits for the same period in 2012. The financial group has achieved those results from the purely banking business.

- The solvency ratio has continued its increase and it stood at 11.9%. The CT1 ratio reached 11.4%, 130 bps over the one at the start of the year. It has never resorted neither to extraordinary measures nor to public funds.

- Kutxabank allocates €391 million to provisions, anticipating the coverage of the impact of the new criteria regarding refinanced loans, so that the requirements are already covered and they will therefore not have a negative impact on the Net income.

- The NPL ratio of Kutxabank Group was 10.88% (vs. 12.12% of the sector). Excluding Real Estate problematic assets, the NPL ratio was 5.4%. The coverage of doubtful assets stood at 64.75%.

- The pace of attracting customer resources has continued to grow during the third quarter of the year. Kutxabank Group turnover stood at €112,297 million. Customer Resources were up 2.8% in the whole Business networks and 3.3% in the Retail network.

- Kutxabank is ensuring that it is in a strong position to address the new capital requirements resulting from Basel III and the next bank stress test, scheduled for 2014.

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3Q Results and business trends

P&L Statement

Amounts in million Euros

	3Q2013	3Q2012	Var.
Interest margin	**560.3**	699.7	**-19.9%**
Income from equity instruments	**63.6**	86.6	**-26.6%**
Equity method income	**18.7**	0.0	**-**
Net commissions	**239.5**	230.4	**4.0%**
Trading income	**106.9**	76.6	**39.5%**
Other operating income	**46.5**	44.3	**5.0%**
Gross margin	**1,035.4**	1,137.6	**-9.0%**
General expenditures	**554.7**	591.5	**-6.2%**
Amortisations	**54.3**	55.6	**-2.4%**
Pre-Provisioning profit	**426.5**	490.5	**-13.1%**
Provisions	**391.3**	413.9	**-5.5%**
Operating income	**35.2**	76.6	**-54.1%**
Other incomes	**12.9**	-11.8	**208.8%**
Net income	**60.3**	63.1	**-4.4%**

In an adverse and challenging environment, with very low interest rates, Kutxabank ended the third quarter of the year with a consolidated net profit of €60.3 million, just a 4.4% below the profits for the same period in 2012.

WEAK MARGINS. Net interest margin fell a 19.9% due to the repricing of mortgages and the drop in their volumes.

COMMISSIONS PERFORM WELL. Assets under Management increased the revenue came from services, which posted a positive growth of 4%.

REDUCING EXPENDITURES. Kutxabank's cost cutting policy has remained unchanged. General Expenditures fell by 6.2% in the third quarter.

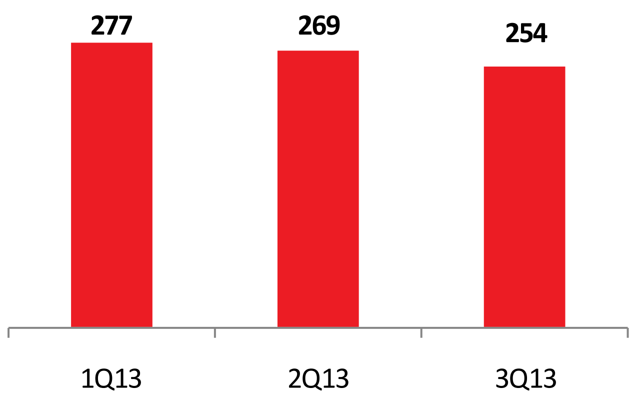
PRUDENT MANAGEMENT. €391 million allocated in provisions. The required loan refinancing provisions are already covered and they will therefore not have a negative impact on the Net income.

3Q Results and business trends

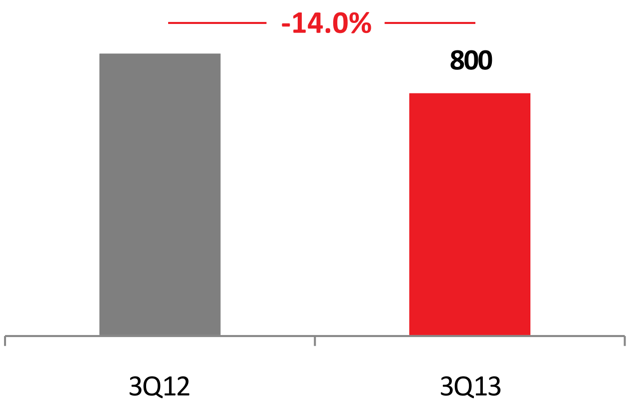
Margin performance

The cost of liabilities performs well. However, it is not enough to mitigate the expected negative effect of the drop of the Euribor over the loan portfolio. Moreover, a significantly lower than sector s average exposure to Spanish Debt also penalizes the total Interest Margin.

Client margin quarterly evolution



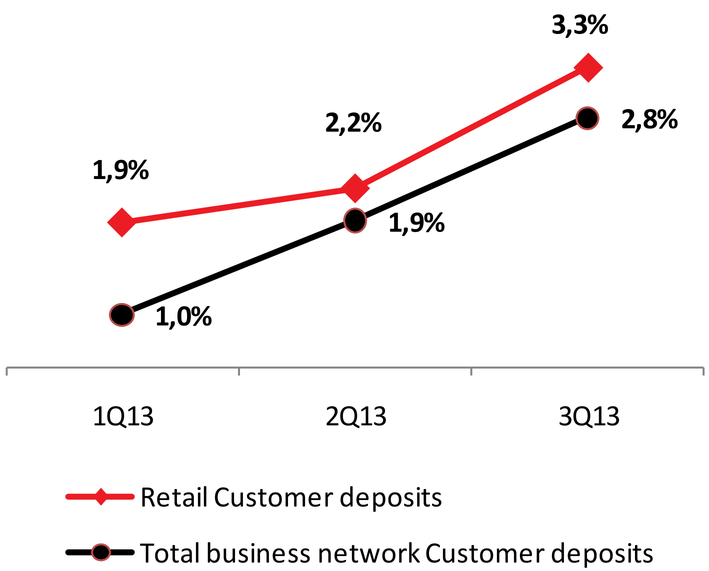
Client margin margin yoy



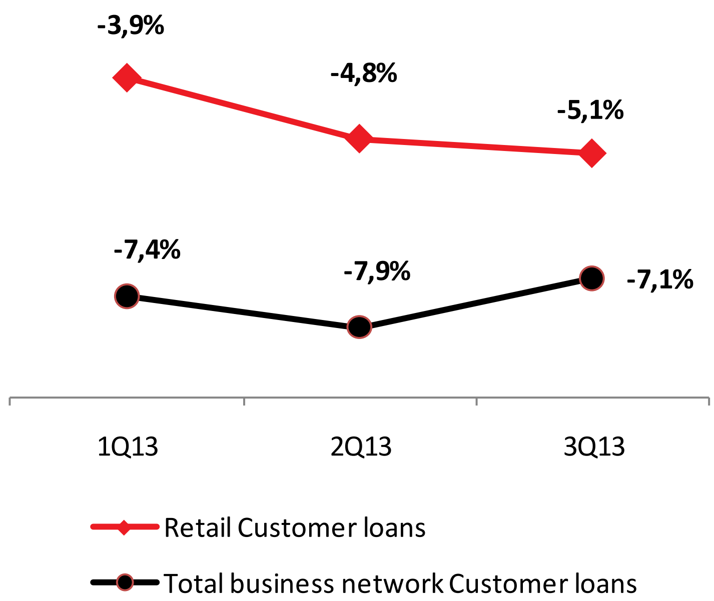
3Q Results and business trends
Balance Sheet items performance

The drop in volumes on the assets side puts more pressure over the Net interest margin. Deposits increase with a stronger contribution of the Retail network.

Customer deposits yoy



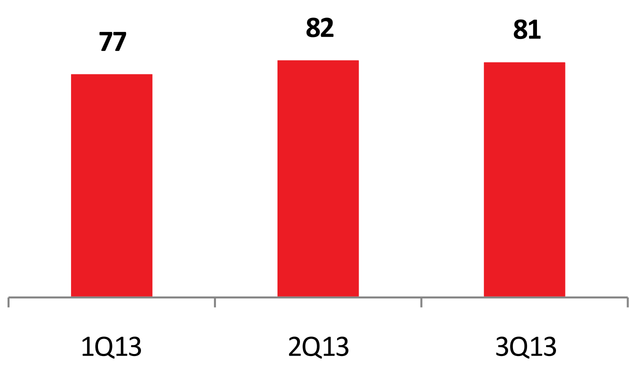
Customer loans yoy



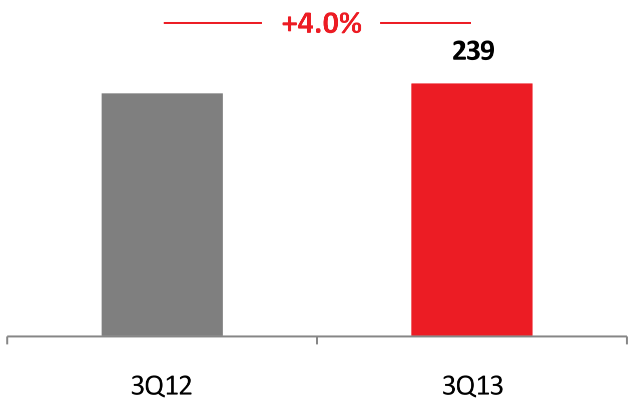
3Q Results and business trends
Commissions

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

Net commissions quarterly evolution



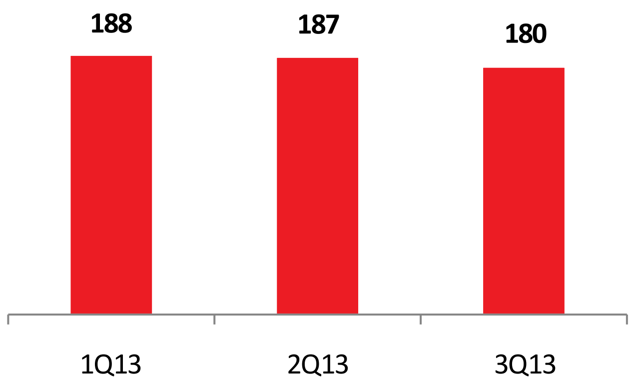
Net commissions yoy



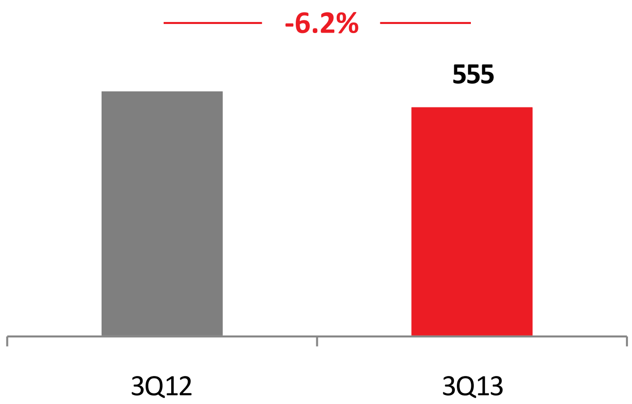
3Q Results and business trends
General expenditures

Positive trend in general expenditures (-6.2% yoy) due to its capability to work hard over cost cutting measures, the use of synergies and the optimisation of resources.

General expenditures quarterly evolution



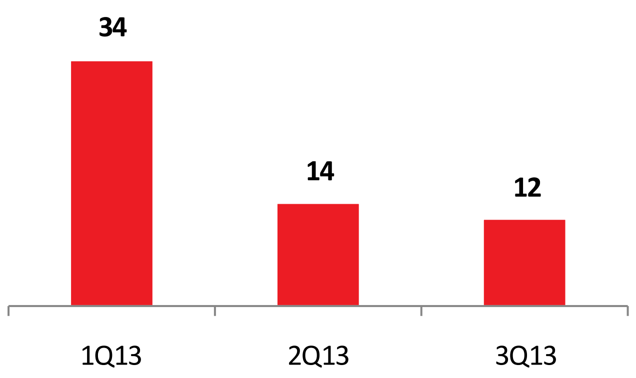
General expenditures yoy



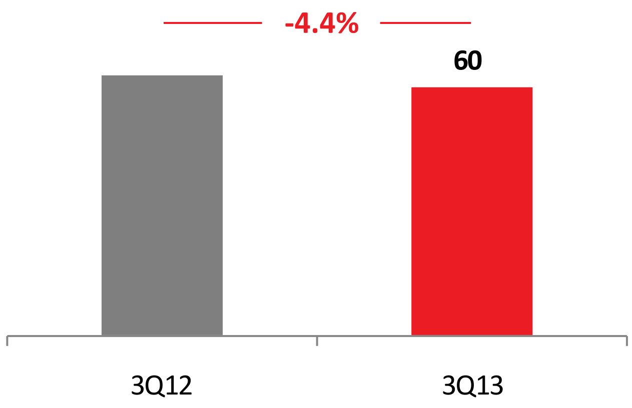
3Q Results and business trends
Net Income

Kutxabank ended the third quarter of the year with a consolidated net profit of €60.3 million (-4.4% yoy), despite having allocated €391 million in provisions and the low interest rates context.

Net income quarterly evolution



Net income yoy

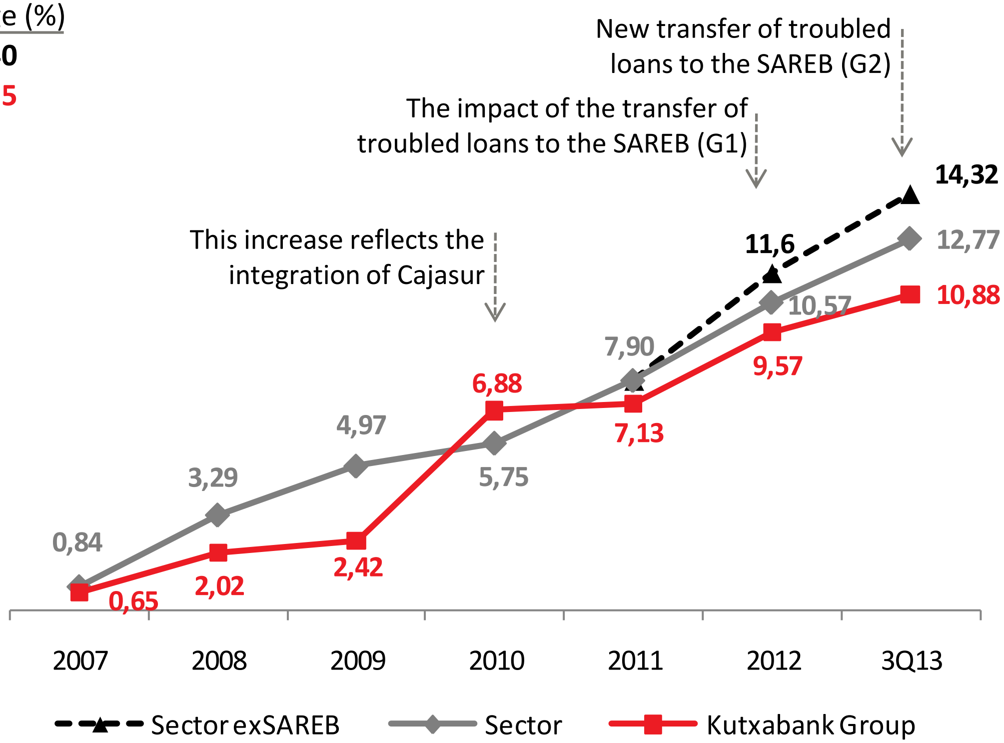


3Q Results and business trends

NPL and coverage

NPL ratio also affected by the decrease in volumes.

Sep-2013	NPL (%)	Coverage (%)
Kutxabank (Parent Co.)	**8.00**	**89.40**
Kutxabank Group	**10.88**	**64.75**

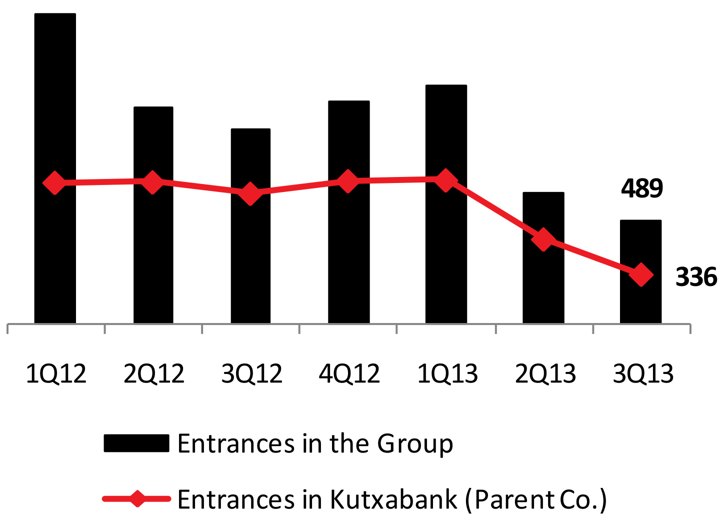


3Q Results and business trends

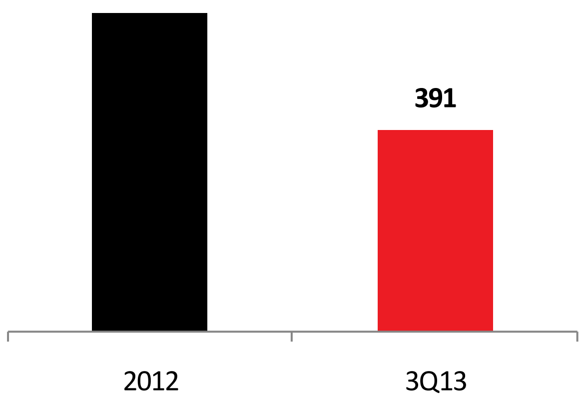
NPL and coverage

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

Doubtful asset entrances (€Mn)



Provision (€Mn)



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Solvency

122bps growth in 9 months

	€Mn
Core Tier I capital	4,327.6
Tier I capital	4,328.1
Total computable capital	4,525.2
RWA	38,118.4
CT1 ratio	**11.4**
T1 ratio	**11.4**
***Capital Principal* ratio (RD 24/2012)**	**11.4**
BIS ratio	**11.9**

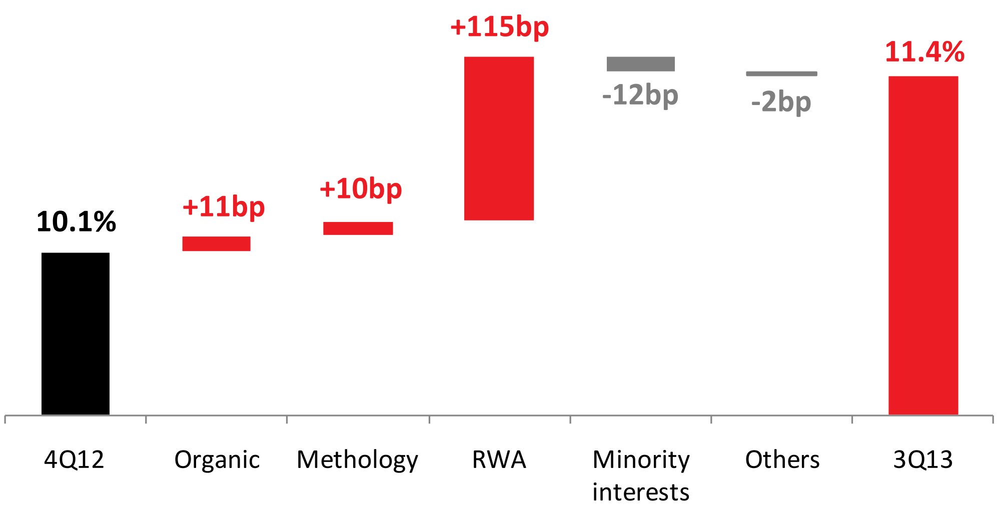
- **Sound solvency**. Strong capitalization thanks to the more prudent management of the Basque savings banks integrated in Kutxabank.
- **High quality capital**. The Tier I capital is fully made up of Core capital.
- **No public aid required**.

CT1 improves in 122pbs despite the current environment, even **not having done any extraordinary transactions**.

✓ Slightly positive income evolution.

✓ Decrease in risk exposures.

✓ Methodological improvements, with still plenty of room for more progress.



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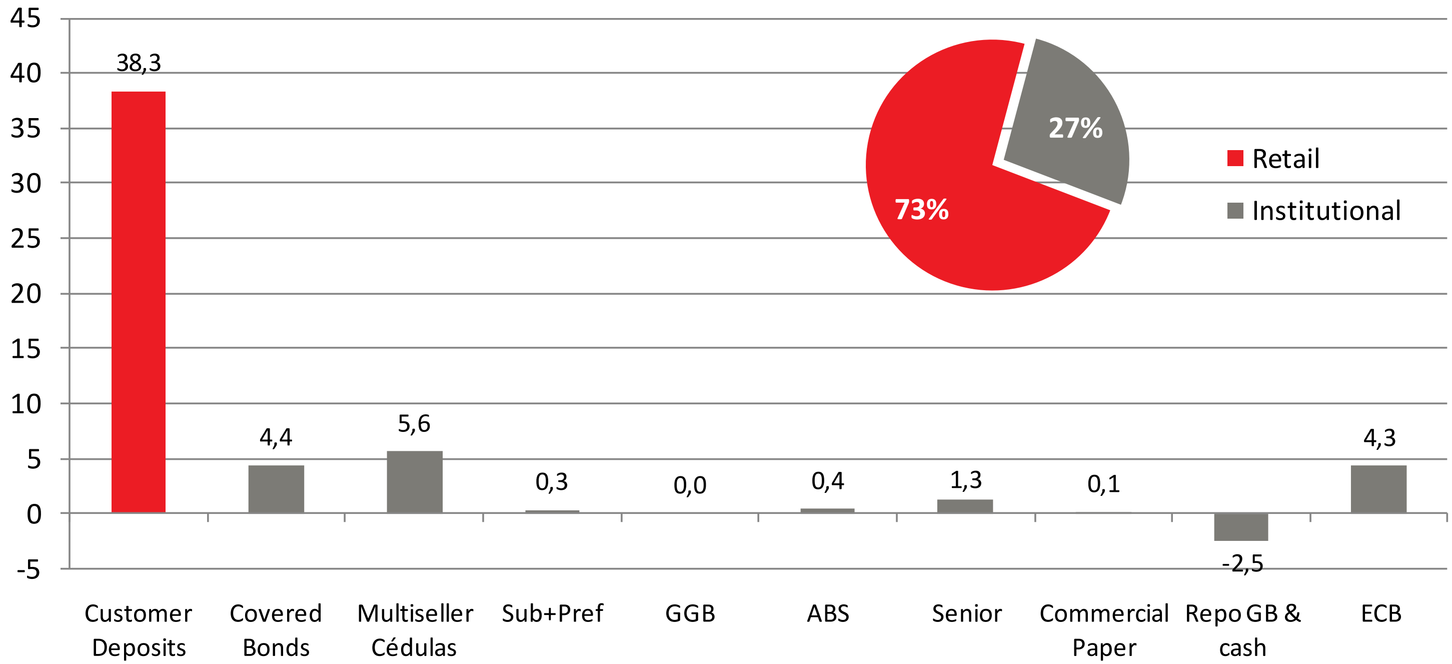
Liquidity management
Funding sources

- Large and stable base of Customer Deposits.
- Low reliance on wholesale markets, with a lower than the average percentage of ECB funding (2.9%[1] of total assets as of the 3rd quarter 2013).

Amounts in billion Euros

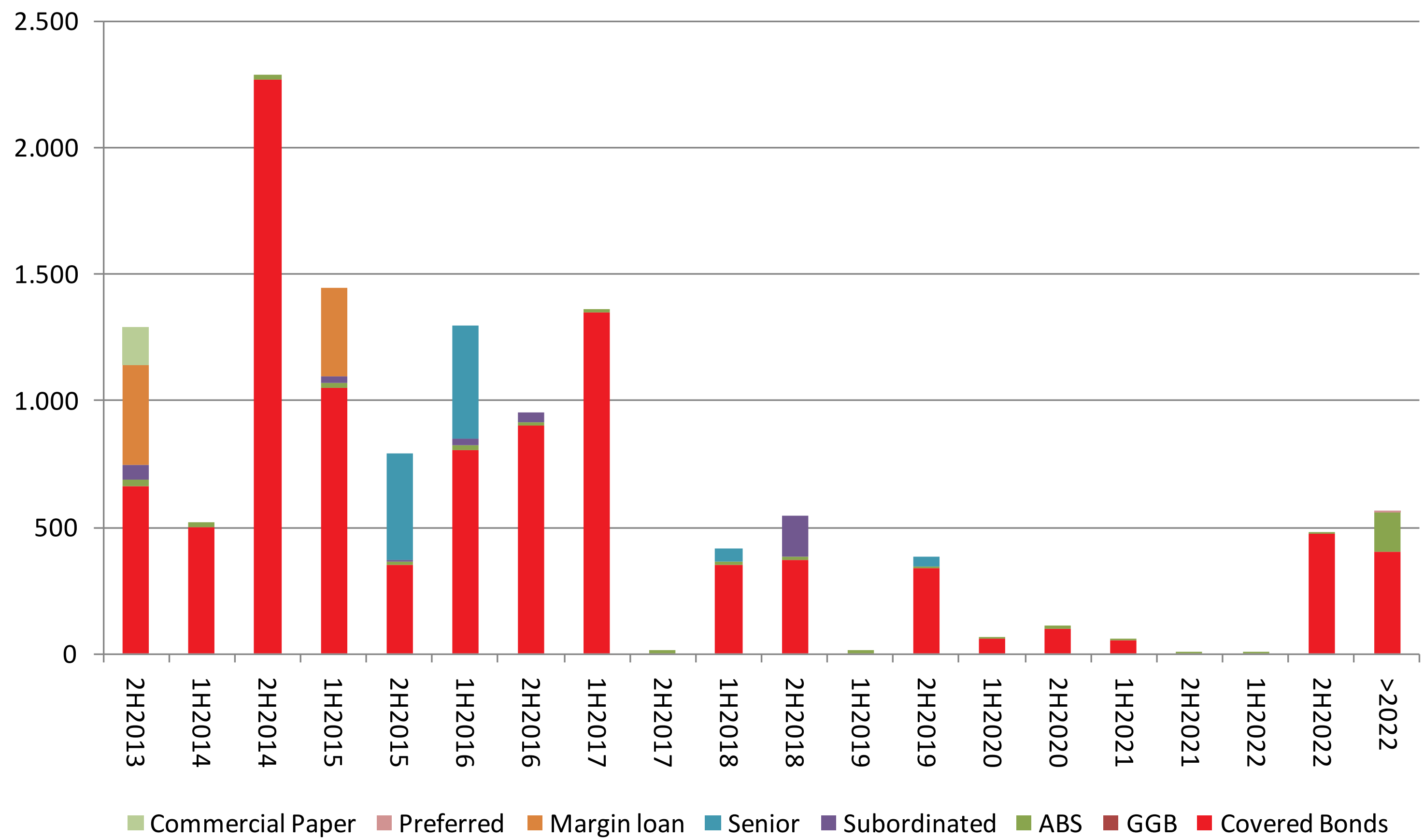


[1] Including the cash position of €2.5bn in the market at the end of September.

Liquidity management

Wholesale funding maturity profile

Amounts in million Euros



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Liquidity management
Liquid assets

Amounts in million Euros

TOTAL	**15,016**
Liquid Assets	**6,180**
Elegible collateral for ECB haircut deducted	5,143
Equity assets (LTV 80%)	1,037
Guarantee from the for GGB	0
Available Issuance Amount of Covered Bonds (Kutxabank)[1]	**7,261**
Available Issuance Amount of CBs in Cajasur Banco	**1,575**

[1] The figure includes the *Cédulas Territoriales* issuance capacity (€828 Mn).

Liquidity management
Liquidity ratios

Loan to Deposit ratio	**120.4**	(%). Multiseller Cedulas not included[1]. Outstanding Securitised loans not included.
Leverage ratio	**6.8**	(%). Tier I capital/Total Assets.
ECB funding vs Sector	**89.0**	(%). ECB funding as a percentage of total assets, in comparison to the Sector average (Sector=100%).
Institutional to Total funding	**26.6**	(%). All the wholesale funding sources included.
Basel III: LCR[2]	**174**	(%). Liquidity Coverage Ratio, complied in advance.
Basel III: NSFR	**111**	(%). 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.
[2] Basel III´s LCR and NSFR ratios as of march 2013.

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