

Kutxabank 1Q2016 Results Snapshot

28th April 2016



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Main highlights

Activity

- Positive evolution of the core banking business of the company with an increase in new Retail Mortgage production, new Consumption lending and SME activity which begins to practically offset the deleverage effect.
- Loans reduced only by 1.4% in business areas.
- Increase of 6% in wholesale banking.
- Positive performance of volumes in investment funds and insurance business provides with an increasing income.

Expenses

- The entity continues to apply a strong cost containment policy to try to offset pressure on income due to the negative interest rate context.
- General expenditures fell by 5.4% compared to March 2015.

Cost of risk

- The improvement in the economic context leads to a reduced need for provisions.
- The cost of risk continues its decline and stands at 0,42%.

**Net Income
+16.5% YoY**

Banking business performance

1Q2016 P&L Statement

Table 1. Kutxabank group's P&L Statement 1Q2016 vs. 1Q2015.

	1Q2016	1Q2015	% var.
Million of Euros			
Interest margin	145.4	155.2	-6.3%
Net commissions	87.7	90.1	-2.6%
Income from customers	233.1	245.3	-5.0%
Income from equity instruments	48.1	43.8	9.7%
Trading income	7.1	26.5	-73.3%
Other operating income	23.7	21.3	11.2%
Gross margin	311.9	336.9	-7.4%
General expenditures	165.4	175.0	-5.5%
Amortisations	13.3	13.9	-3.9%
Pre-provisioning profit	133.2	148.0	-10.0%
Provisions	63.0	81.0	-22.2%
Other income	8.5	11.4	-25.6%
Pre-tax income	78.6	78.4	0.3%
Net income	75.2	64.5	16.5%

Banking business performance

Activity

Customer loans decrease but at a lower pace that in previous periods.

The new production of mortgages and consumer loans, continues its positive evolution and restrains Customer Loans decrease. Moreover, it improves the repricing of the loan book.

New retail mortgage production

+44.4% YoY

(1Q16 vs 1Q15)

New consumption loans production

+49.7% YoY

(1Q16 vs 1Q15)

SMEs, new Trade discount

+4% YoY

(1Q16 vs 1Q15)

SMEs, Foreign trade lending

+15% YoY

(1Q16 vs 1Q15)

Retail deposits increase

+1.3% YoY

(1Q16 vs 1Q15)

Investment funds volume

+6.3% YoY

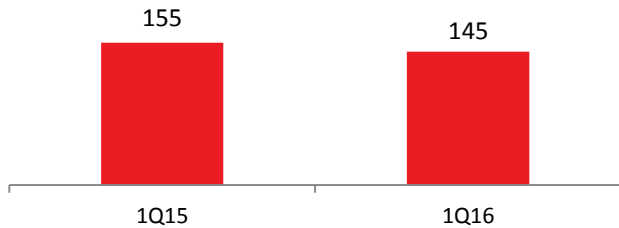
(1Q16 vs 1Q15)

Banking business performance

Top line margins

Negative impact of the negative interest rates penalises the NII. The decline over the same period last year stands at -6.3%, in line with the budget.

Chart 1. Interest margin, YoY evolution (million of Euros).



Income from Investment funds

+3.7% YoY

(1Q16 vs 1Q15)

Income from Insurance business

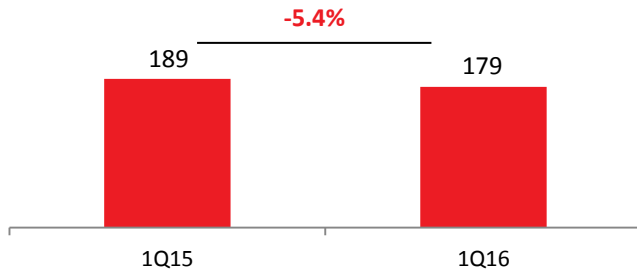
+19.8% YoY

(1Q16 vs 1Q15)

Banking business performance

Operating expenses

Chart 2. Operating expenses evolution (million of Euros).



Kutxabank continues with its cost containment policy, in order to mitigate the negative effect of the historically low interest rates.

Staff costs

-3.7% YoY

Other general expenses

-9.5% YoY

Chart 3. Staff costs and Other general expenses evolution (million of Euros).

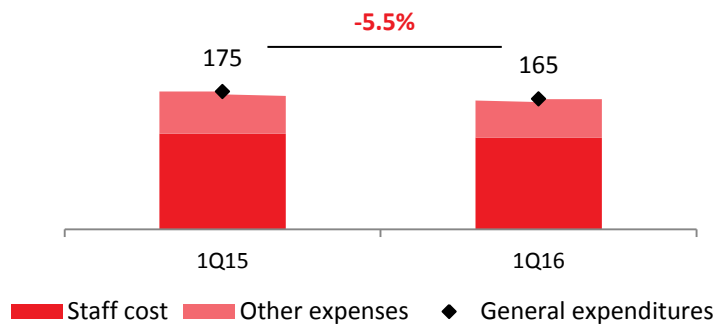
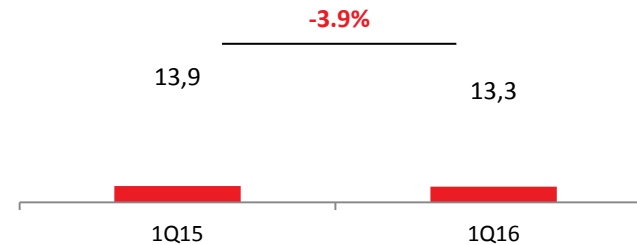


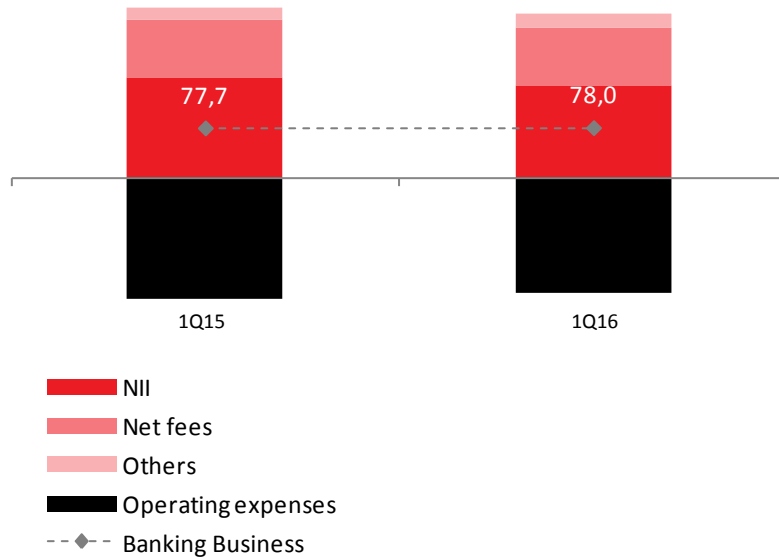
Chart 4. Amortisation evolution (million of Euros).



Banking business performance

Profitability

Chart 5. Core banking business evolution¹ (million of Euros).



However, the Banking business improves underpinning the sostenibility of results.

Banking Business
+0.5% YoY

¹ Core banking business: Interest margin plus Commissions plus Others, less General expenditures.

Banking business performance

Asset quality

Strong reduction of Doubtful assets.

The improvement in the economic context leads to a reduction of the amount earmarked for provisions.

The NPL ratio stands at 8.03%, well below the one of the sector.



Chart 7. Kutxabank Group: NPL ratio evolution.

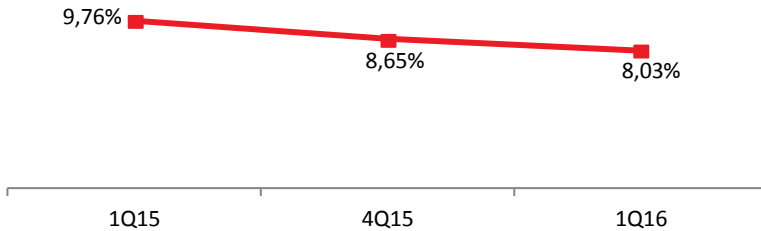


Chart 6. Cost of risk evolution.

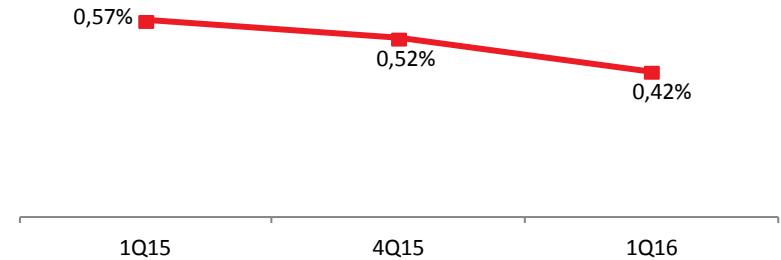
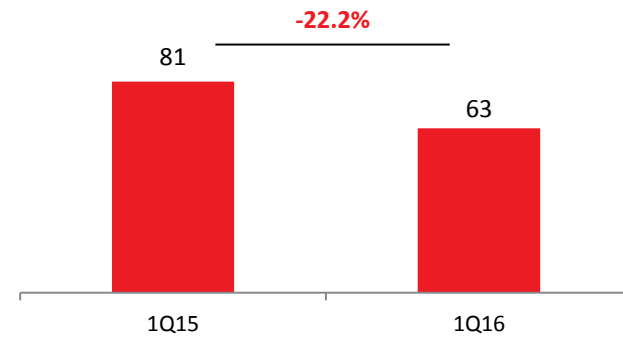


Chart 8. Provisions YoY evolution (million of Euros).

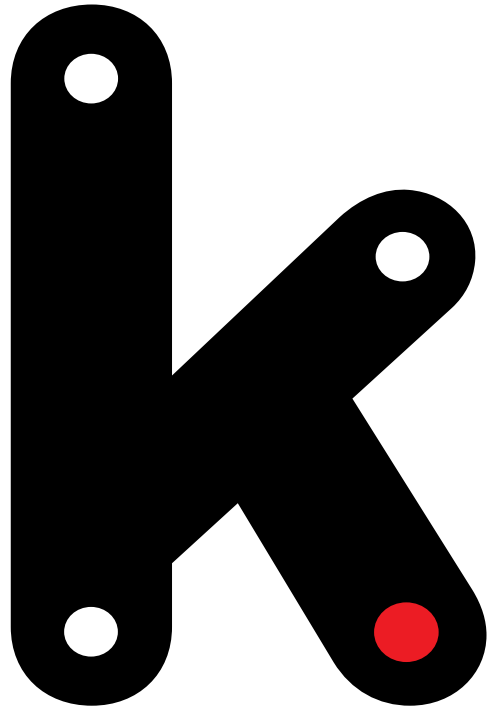


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