Kutxabank allocates 248 million to provisions and posts a profit of 108 million euros

- **It maintains its criteria of maximum prudence in allocations and covers the provisions that it forecasts will be necessary to charge to results to absorb the impact of Royal Decree 18/2012**
- **Kutxabank's main margins evolve better than the company's own forecasts**

Bilbao, 1st August 2012. Kutxabank maintains its usual strategy of applying criteria of maximum prudence in the allocation of provisions. Thus, in the first semester of the year it allocated 247.8 million euros to provisions for general risks and loss of financial assets, with which Kutxabank covers the provisions that it forecasts will be necessary to charge to results to comply with Royal Decree 18/2012 of May. To date, Kutxabank has complied with the successive capital demands, from a strong position and by means of the application of a policy of highly demanding allocations since the beginning of the year.

Kutxabank has posted profits of 108 million euros, in an increasingly stricter regulatory environment, with very low interest rates, significant tightening of margins and with a significant reduction in economic activity that brings with it a growing pressure on non-performing loans. On the results of the first semester, which represents a reduction of 49.3% with regards the same period in 2011, CajaSur provided a positive contribution of 1.6 million euros.

One of the priorities of Kutxabank in the first months of the year was to comply with the integration process of the Basque Savings Banks. The terms forecast are currently being fulfilled to complete the integration of the systems of all the companies that form part of Kutxabank. In addition, the generation of synergies permits the company to continue to reduce costs, one of its strategic objectives within this complicated current context.

Margins evolve better than forecasts

Within the complicated economic scenario, Kutxabank has obtained a satisfactory evolution of its financial and ordinary margins, which constitute the typical banking business. Kutxabank's main margins have maintained an upward trend in the latter months, with a performance that exceeds the company's own forecast, in spite of the unfavourable evolution of interest rates.

The interest rate margin grew by 9.8%. The Client Margin, which includes commissions and the results of insurance activity, increased by 9.2%. The Gross Margin, however, continued to be affected by the slower rhythm of financial operations, and above all, by the impact produced by the increase in the contribution to the Deposit Guarantee Fund.

Administrative fees fell by 6.4%, due to the strict contention policy and rationalization of costs. With this, and after the provisions carried out, largely of an extraordinary nature, Operating Income reached 136.3 million euros, 39.2% less.

The non-performing loans rate of Kutxabank is better than the average in the sector, standing at 8.9%. Excluding CajaSur, the default rate is more than four points better than the average in the sector, as in the second quarter it managed to remain stable at 4.7%.

Business Volume reaches 117,800 million

At the end of June, the Kutxabank Business Volume reached 117,800 million euros. Client Resources stood at 65,200 million euros and Credit Investment stood at 52,600 million euros.

Within the business networks, and in spite of the peak in the retail market, which practically repeated results, the Business Volume registered a slight global fall of 2.8%, pulled by the slower activity in the wholesale client environment.

Despite a growth in resources of 1.2% in the retail banking, during the first months of the year, the global compute of Client Resources fell by 3.9%, due to the evolution of the wholesale bank and the capitals market.

With a product range that registered a similar performance both in business networks as well as in the retail network, it is important to note the positive trend maintained in the capture of deposits, with an increase of 2.8% of sight balances in the retail network. Likewise, Investment Fund assets continued to grow, increasing by 3.7%, and Prevision Products, to 3.3%, in spite of the volatile markets.

In a context of strong contraction in credit demand and the resulting decrease in investment, mortgage loans registered a performance exceeding the average in the sector, which permitted Kutxabank to improve its mortgage loan market share in the Autonomous Community of the Basque Country, which it continues to lead with a percentage above 40%.

Results of the Grupo Kutxabank, June 2012

(millions of euros)	June 2012	Δ%	
Interest Rate Margin	**464.2**	**9.8**	
Capital instruments yield	24.5	-73.4	
Company Yield valued Equity Method	78.2	77.8	
Commissions	153.6	-14.6	(*)
Net yield for Financial Operations and others	99.6	-11.0	
Gross Margin	**820.2**	**-3.6**	
Administrative Expenses	-398.3	-6.4	
Amortization	-37.7	-19.3	
Loss of financial assets and other provisions	-247.8	60.6	
Operating Income	**136.3**	**-39.2**	
Other results	-23.4	--	
Result before tax	**112.9**	**-51.8**	
Result attributed to the group	**108.1**	**-49.3**	

(*) The Commissions are influenced by the accounting change which is the result of incorporating 100% of Biharko. Apart from the effect of the commissions, the increase would stand at 7.7%.