The Kutxabank Group records 34 million profit, after doubling provisions to 96.9 million euros

- The financial entity is once again committed to being prudent and cautious in the face of as yet ongoing economic and regulatory uncertainty.
- CajaSur contributes with 0.65 million euros to the overall profit figure
- Customer funds on the business network are up by 1%, with outstanding increases in investment funds, by 17%, and pension plans, by 7.8%

Bilbao, 3 May 2013. The Kutxabank Group has allocated 96.9 million euros to **provisions** for general risks and asset impairment in the first quarter of 2013. This figure represents an increase of 114.5% compared to the corresponding period of 2012. Hence, Kutxabank has implemented criteria of maximum prudence, doubling its provisions, despite having fully covered by the end of 2012 the demanding provisioning requirements set forth in the two royal decrees of the previous year.

The financial group is once again committed to exercising **caution in the face of the as yet ongoing economic and regulatory uncertainty**. The self-imposed provisioning policy, coupled with the generally poor performance of economic indicators, low interest rates and apathy in the market, would explain the drop in profits recorded by Kutxabank.

In this context, the Kutxabank Group has closed the third quarter of 2013 with a **net profit** of 34 million euros, with a positive contribution of 0.65 million from **CajaSur**. This result, obtained without significant extraordinary transactions, represents a 32% drop with respect to the first three months of last year.

The margin before provisions is up by 2.2%.

In the income statement, the net interest income has confirmed the Group's forecasts, with a 12.4% drop. The fall in income caused by the increasingly low interest rates could not be offset with the reduction in financial costs.

The decline in the **gross margin** has been moderated thanks to the positive performance of the dividends accounted for this year, which have grown by 189%, with income on fees and commissions up by only 0.7%.

The Group's cost-cutting policy has, for its part, led to a positive outcome for the **operating margin**, which before considering provisions made, has amounted to 135.1 million euros, i.e. an increase of 2.2%. The IT and operating integration of the entities comprising Kutxabank, which was consolidated in the first months of 2013, has contributed to reducing costs by generating synergies, one of the Group's objectives in the current economic and financial environment. Thus, **administration expenses** have dropped by 6.5%.

With a **turnover** of 113,896 million euros, **customer funds** in the Kutxabank business network for the first quarter of the year have totalled 48,790 million, which is 1% up on 2012, and this is mainly due to the positive performance of the retail network, which recorded a rise of 1.9%. It could also be highlighted the performance of **cash deposits**, which increased by 1.5%, although even more significant increases have been registered in **pension plans** and **investment funds**, which are up by 7.8% and 17%, respectively.

With regard to customers **loans**, the drop recorded was 6.9%, in line with the overall downward trend on the market. Kutxabank has continued to support the development of the business network and has signed agreements to provide **financial collaboration facilities** to both the Basque Government and the Bizkaia Regional Council during this period.

In this context of declining demand, results have been better on the retail network, with **mortgage loans** down by just 3.6%. Despite the aforementioned points, the Kutxabank Group's **penetration rate** has grown slightly to reach 38% in customer mortgages for individuals, thereby consolidating its leadership in the Basque Country and in Cordoba.

With regard to mortgage loans, Kutxabank has continued to provide solutions to customers who are finding it difficult to repay their commitments. The Group has made **5,772 successful agreements** with its customers since its creation in January 2012.

For its part, the Kutxabank Group's **non-performing loans ratio** has remained stable over the last few months, increasing by 0.37 points to a rate of 9.94%, i.e. 45 basic points below the sector average (10.39% in February), which managed to slow down the rising rate by transferring doubtful assets to Sareb. Excluding CajaSur, the ratio would be 7.09%, which is **more than three points below the system average**.

In terms of the accounting policy for provisioning credit risk, **the global rate of coverage** has been 70%.

Insofar as **solvency ratios**, Kutxabank began 2013 with a Core Tier I of 10.1% and a solvency rate of 10.8%, both rates that well exceed the minimum requirements of both the European authorities and the Spanish government.

Kutxabank Group Profit, March 2013

(millions of euros)	2013	Δ%
Net interest income	**200.0**	**(12.4)**
Income from equity instruments	41.5	189.0
Results of entities accounted for using the equity method	5.7	65.2
Net Commissions	76.8	0.7
Net income from financial operations and other net revenues	16.6	(44.3)
Gross Margin	**340.7**	**(3.3)**
General Expenditures	187.6	(6.5)
Depreciation and amortisation	17.9	(7.3)
Operating Income	**135.1**	**2.2**
Financial asset impairment and other provisions	96.9	114.5
Other profit/(loss)	(1.3)	(94.3)
Pre-tax profit	**36.9**	**(42.3)**
Net attributable profit	**34.0**	**(32.3)**