

It exceeds its objectives in the first quarter of 2016 **and consolidates the sustainability** of the results in a very difficult context

Kutxabank achieves a profit of 75.2 million euros, an increase of 16.5%

- **Intense activity in mortgages, companies and insurance, a reduction in costs, an improvement in income from dividends and the lower provisions are the keys to this result**
- **Significant growth of 38% in the productive financing of businesses, of 40% in the number of mortgages granted and of 34% in personal loans**
- **The Group's NPL ratio fell again to 8.03% and remains two points from the sector average**

28 April 2016. The Kutxabank Group in the first quarter of 2016 has achieved a net profit of **75.2 million euros, 16.5% more than** in the same period of 2015, which **exceeds the company's predictions and supports the sustainability of its annual results**. This profit, to which **CajaSur contributed 3.6 million euros**, was obtained thanks to the suitable management of the business pillars, the increase derived from marketing of new financial products, the relevant recurring income from its investment portfolio, its cost containment policy and the lower demand for provisions. Thus, the Recurring Banking Margin, or typical banking business, remains stable with a slight growth of 0.5% over the same period last year.

These positive figures were achieved in an **extremely complicated** environment, with interest rates at all-time lows and despite the impact of the elimination of certain CajaSur mortgage floor clauses. And also with a loss in commissions due to the evolution of the valuations of the off-balance-sheet resources (investment funds and pension plans), as well as the new regulations applied to means of payment fees. With all of this the **Income from customers** reached 233 million euros.

In terms of the contribution from the equity portfolio, the recurring result derived from the **payment of dividends** continued to register a high level, more than 44.5 million euros, meaning that this heading grew 29.7% during first three months of the year. It should be emphasised that the Group's results were obtained with a smaller contribution from the active management of the equity portfolio, as no noteworthy operations were undertaken

during this period. The insurance business grew 10.6% and maintained its positive contribution to **Other Operating Income**, which increased by 11.2%.

In line with the Group's efficiency improvement objectives, **General expenditures** fell by 5.5% compared to the first quarter of 2015, with a reduction of 9.5% in general expenses and 3.7% in staff costs. These reductions placed the **Pre-provisioning profit** at 133.2 million.

The Group still maintains a high degree of caution in the **coverage of the equity portfolio and the credit and real-estate** risk. In fact, it allocated 63 million euros to allocations, 22.2% less than in 2015, due to the improvement in those risks.

Turnover reaches almost 100,000 million euros

The total for the **customer deposits** managed by the business areas reached 52,988 million euros. This represents a slight increase with respect to the same period in 2015 and was achieved thanks to the 1.3% increase in resources in the retailer network and in the area of corporate and SMEs businesses, that rose to 4.9%.

Sight deposits and **investment funds** were the best performing products in this period. Specifically, the Group's fund managers received the largest net receipts of all the large market operators, with 343 million being added to their portfolio. Thanks to a good performance in attracting new investment, the balance of the funds grew by 6.3%, despite the effect of the economic instability on the valuations.

The Group's **lending** continued its positive evolution, mostly due to the strong rate of increase in new **loans** contracted, although this did not compensate for repayments. The balance of Loans in the business areas fell by just 1.4%, while in wholesale banking it grew by 6%.

Customer **turnover** in the Kutxabank Group was 99,732 million euros, 0.3% more than in the first quarter of 2015.

A remarkable improvement in financing for businesses and families

The bank's strategic commitment to consolidating the growth of credit investment is being accompanied by the **reactivation of the creditworthy demand for loans**, both from businesses and homes.

During first few months of the year, financing for **productive investments** exceeded the Group's most optimistic predictions, with the amount of loans granted 38% higher than the previous year.

The bank loaned a total of **570 million euros** to SMEs, an increase of 8%. For the first time since 2008, the balance of productive fixed assets grew by 2%, meaning that the amount for new contracts in productive credit investment exceeded those of repayments. An increase of 4% was also recorded in the amounts of **trade discount** and of 15% in the financing of **foreign trade**.

In terms of house purchase loans, the **mortgages** granted by the Group have grown by 40%, with a notable increase in all the areas in which the bank has a presence. Thanks to the gradual and sustained recovery in the real estate market, the bank loaned a total of **400 million euros** for property purchases. A satisfactory evolution is also being seen in the area of **consumption loans**. The total amount of credits granted by Kutxabank increased by 34%. Of particular note is the evolution of personal financing contracted through the digital channels, with a growth of **91%** in one year. Increasing numbers of customers are opting for the convenience of the new technological services offered by Kutxabank, with **10%** of the total number of personal loans granted being arranged on the Internet.

The NPL ratio fell by 63 basis points

Kutxabank continues to decrease its **non-performing loans ratio**, which fell to 8.03%, 173 basis points less than in March 2015, meaning that it maintains a position two points above the sector average, which is 10.09% (February). This decrease in the non-performing loans ratio is due to the first quarter fall of 286 million in the **balance of doubtful assets**. Excluding the risks linked to property development, the Group's NPA ratio stood at 4.7%. The **residential** mortgage NPL ratio (family mortgages) in the Basque Country network stands at 1.84%.

Kutxabank Group Results, March 2016

Millions of euros	March 2016	Δ%
Net Interest margin	145.4	-6.3
Net commissions	87.7	-2.6
Income from customers	233.1	-5.0
Income from equity instruments	48.1	9.7
Trading income	7.1	-73.3
Other Operating Income	23.7	11.2
Gross margin	311.9	-7.4
General expenditures	-165.4	-5.5
Amortisations	-13.3	-3.9
Pre-provisioning profit	133.2	-10.0
Provisions	-63.0	-22.2
Other income	8.5	-25.8
Pre-tax income	78.6	0.3
Net income	75.2	16.5