For:	Economía

Kutxabank posts a profit of 50.3 million after allocating 44.3 million to provisions and the full impact of Euskaltel

- **With the previsions required for assets affected by the Royal Decree of restructuring of the financial system fully constituted, Kutxabank reinforces its provisions to face general risks and the impairment of financial assets**
- **Kutxabank is successfully fulfilling the demanding goals and terms imposed by the integration process of the Savings Banks**
- **Kutxabank posts a profit of 50.3 million euros, 43.4% less than in 2011**

Bilbao, 27th April, 2012. With a highly demanding allocation policy in place since the first quarter of this year, Kutxabank has destined 44.3 million to provisions for general risks and impairment of assets, even from its strong position of having fully constituted the provisions established by the Royal Decree 2/2012 of restructuring of the financial system. Thus, the high level of provisions which backed the launch of Kutxabank on 1st January 2012, has permitted the instant cover of all the provisions required. These reach levels of 64% in land, 54% in promotions and 37% in troubled assets in the promotion and construction sector, as well as constituting an additional cover of 7% on normal situation risks. The Bank of Spain has approved Kutxabank strategies.

At the close of the quarter, the negative impact of the resolution on Euskatel was fully felt, following the criteria of prudence and notwithstanding the action that the investee company may adopt in the future.

After the allocation of provisions, and within an environment of very low interest rates, growing non-performing loans, with significant narrowing of margins and with a large reduction of economic activity, Kutxabank has posted a profit of 50.3 MEUR, with a positive contribution of 0.9 million from Cajasur.

These results, which also incorporate restructuring costs accrued during the first quarter, represent a reduction of 43.4% with respect to the same period of 2011.

During the first months of the year, Kutxabank fulfilled the demanding objectives and terms that were proposed in the integration process. Thus, the integration of systems of BBK Bank Cajasur has been completed and, now, work is taking place on the systems of the remaining companies that form part of Kutxabank. Another of the priorities of the period consisted in the reduction of costs through the generation of synergies, one of the objectives of the Bank, in the current context of economic and financial crisis.

Recurring business grows in Kutxabank

Kutxabank has managed to maintain the upward trend that its main margins registered in the last quarters, and now stands in a positive place, largely due to the correct management of the balance structure. The Interest Rate Margin reached a growth of 5.2%. Likewise, the Client Margin, which also includes commissions and the result of the insurance activity, grew by 4.9%. On the opposite extreme, the slower growth in financial operations and, especially, the doubling of the contribution to the Deposit Guarantee Fund affected the Gross Margin, which registered a decrease of 9%.

The strict contention policy and rationalization of costs permitted a reduction in operating costs by 7.3%. The effective integration of CajaSur contributed to this cost contention criteria, which has concluded this month of March, according to the forecast terms. With this situation, the Operating Income reached 87.9 million euros, 10.3% less.

In line with the tendency of the sector, in the first quarter Kutxabank's non-performing loans ratio registered a slight increase that situates the ratio at 8.3%, close to the average of the system and at 4.7%, excluding CajaSur.

With regards to solvency, the Kutxabank Group presented a Core Tier 1 ratio of 10.2%, a Core Capital ratio of 11.0% and a Solvency ratio of 12.2% on 1st January, once the current regulatory requirements were fulfilled.

Results of the Grupo Kutxabank, March 2012

(millions of euros)	March 2012	Δ%	
Interest Rate Margin	**228.3**	**5.2**	
Capital instruments yield	14.4	2.0	
Company Yield valued Equity Method	3.4	-82.5	
Commissions	76.3	-17.8	(*)
Net yield for Financial Operations and others	29.8	-31.5	
Gross Margin	**352.2**	**-9.0**	
Administrative Expenses	200.6	-6.0	
Amortization	19.3	-18.5	
Loss of financial assets and other provisions	44.3	-14.8	
Operating Income	**87.9**	**-10.3**	
Other results	-23.9	n.s.	
Result before tax	**63.9**	**-36.1**	
Result attributed to the group	**50.3**	**-43.4**	

(*) 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 4.9%