

Mortgage lending is growing by 44.5% and has established itself as one of the main levers of activity during the first quarter of 2015

Kutxabank makes a profit of 54.1 million due to the upward movement in traditional banking business

- The margin from customers maintained a positive trend for the fourth quarter, with a 4.1% growth compared to the previous year
- New funding for SMEs grew 28% in the first three months of the year compared to the same period in 2014
- The NPL ratio for the group increased its distance to the sector and stands at 9.76%, compared to an average of 12.5% for the financial system.
- The entity continued with its customary policy of maximum prudence and made provisions worth 81 million euros

May 12, 2015. In the first quarter of 2015, the Kutxabank Group made a net profit of 54.1 million euros, 0.4 % more than in 2014, in a comparatively more adverse context than for the same period in the previous year, due to a fall of about 30 basis points in the interest rates and a lower contribution of revenue from extraordinary operations. In addition, Kutxabank has allocated a total of € 81 million to provisions, continuing its prudent policy for valuing mortgage guarantees.

One of the most salient points in the Kutxabank profit and loss account is the upward trend of 2.1% in net interest income, which has seen four quarters of sustained growth, a clear reflection of the changing trend.

The significant increase in volumes raised from investment funds and marketing pension plans, despite the reduction in certain charges, has made it possible to increase income, which has gone up by 7.6%. Likewise, the margin from customers has continued to improve and reached 245.3 million euros, 4.1 % more than in 2014.

During this period, the investment portfolio has maintained its recurring contribution, which stands at around 70 million euros. The insurance business has also made a positive contribution to other operating results, with almost 25 million euros. The good performances reflected above would have meant an increase of 2% on the gross margin, had it not been for extraordinary income last year. The gross margin was 322.3 million euros.

In line with its customary policy of containing expenditure, and despite the significant impact of taxation on deposits, administration costs have remained at levels similar to those in the first quarter of 2014. In turn, the operating profit was 133.4 million euros

Gradual recovery in the demand for credit

The positive quarterly result has been sustained by the strong performance of the recurring business of the banking group. The first few months of the year have confirmed the gradual recovery in the demand for credit, mainly in the form of mortgage loans for house purchases. In this same line, funding provided to companies has also maintained a good pace.

Kutxabank is currently one of the financial institutions where the weight of lending to customers over its total assets is higher. In fact, two-thirds of the net assets of the group, namely 74%, consist of loans to customers.

In the first quarter of 2015, the raising of funds has continued to be high on all of the networks. Funds obtained from customers through Kutxabank business networks amounted to 52,558 million euros, 4.7% more than for the same period in 2014. Sight deposits balances have grown 5.2%, although the most important rises have occurred mainly in investment funds, which have grown 29.8%, and in pension plans, with an increase of 7.2%.

Improvement in the conditions for purchasing houses

One of Kutxabank's commitments for 2015 consists of significantly improving the conditions for financing house purchases, with the strategic objective of reviving the mortgage market. In the first few months of the year, the financial group has launched two of the most competitive mortgage loans in the market as a whole, where it is possible to take out a mortgage based on the Euribor +from 1% in the case of a variable rate mortgage and a nominal interest rate of from 2.50% if it is a fixed rate mortgage.

This explains the considerable growth in the turnover of new mortgage loans at Kutxabank, which at the end of the first quarter increased by a remarkable 44.5%. The mortgage activity of CajaSur has also performed remarkably well, reaching levels of contracting close to those of last year, which was extraordinary, meaning that the increase for the whole group was 24.8%.

The gradual recovery in the demand for loans by small and medium-sized enterprises has prompted growth of 28% in funding to SMEs, mainly for fixed assets (with an increase of 39%) and working capital, with a joint increase of 27% in international and domestic operations.

All of this has led to the turnover reaching 109,398 million euros, 1% more than in December 2014.

Family mortgage delinquency drops to 1.8% in the Basque Country

In an environment in which delinquency in the financial system is declining, Kutxabank has continued to increase the gap with regard to the sector, largely because of the drop of about 60% in the income from new doubtful assets. The NPL ratio for the group is 9.76% (compared to 12.5% for the financial system), 92 basis points lower than at the end of 2014. Except for that linked to Real Estate risk exposure, the NPL ratio for the group has stayed at 5.4%.

The residential mortgage (family mortgage) NPL ratio for the Basque Country network has recorded a significant downturn in the first quarter and was at 1.8 %.

The total equity of Kutxabank amounted to 5,114 million euros, 1.6% more than for the same period in 2014, which has enabled the group to continue having solid levels of solvency. The core capital 'phased in' was at 13.1% (12.7% in its 'fully loaded' version) and the total solvency ratio at 13.4 %, which helps keep the group in a position to continue to meet the increasing capital requirements.

Results of the Kutxabank Group

	March	
(million of euros)	2015	Δ%

Interest margin	155.2	2.1
Income from equity instruments	34.3	(14.8)
Equity method income	9.5	n.s.
Commissions	90.1	7.6
Trading income	33.2	(63.9)
Gross margin	322.3	(12.5)
General expenditures	(175)	0.3
Amortisations	(13.9)	(14.2)
Pre-provisioning profit	133.4	24.9
Impairment of Financial Assets and Other Provisions	(81.0)	(39.8)
Other results	11.4	11.1
Profit / (loss) before taxes	63.8	19.4
Profit attributable to the group	54.1	0.4

The comparison with 2014 takes into account the change in accounting rules on contributions to the Deposit Guarantee Fund. Excluding this impact, the profit growth would have been 12.6%.