kutxabank

Dirección de Comunicación

Nota de prensa

Kutxabank ends 2015 with a profit of €218.8 million, 45.5% up on 2014

- **These figures evidence the recovery of the recurrent banking margin, which is up by 24%**
- **This financial soundness enabled to earmark 50% of profits for dividends, to the tune of €109.4 million**
- **The balance of nonperforming assets was down by more than €1,000 million and the NPL ratio fell to 8.65%, well below the 10.1% average for the sector.**
- **The bank maintained its leadership in solvency, with Core Tier I ratio at 14.6% and fully loaded Core Capital I ratio at 14.3%**
- **Provisions rose to €479.3 million, 17.7% up on the previous year.**

27 February 2016.- The Kutxabank Group reached the end of 2015 with a consolidated net profit of €218.8 million, 45.5% up on the figure for the previous year, with a positive contribution of €13.3 million from the CajaSur Group. These results were attained in a context of improvement in macroeconomic indicators, but also of the persistence of factors detrimental to the banking business such as extremely low market interest rates, which dipped close to zero.

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Kutxabank has a sound business model and position, with an outstanding solvency and liquidity
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The good results achieved in spite of these detrimental factors can be attributed to good management of margins, an increase in the contribution made by charges and fees with a significant rise in the volume of investment funds and pension plans. The cost containment policy and improvements in risk-related variables were other contributory factors, as were the upward trend in the real-estate market, a reactivation of the solvent demand for loans and the monetising of the equity portfolio.

Kutxabank's positive results in 2015 can also be put down to its sound business model and positioning, based on a low risk profile and a strong position as regards solvency and liquidity, endorsed by the transparency exercise carried out by the European Banking Authority, which once again placed the Kutxabank Group at the head of the Spanish financial sector in terms of solvency.

Kutxabank thus met the main goals set in its Business Development Plan. Thisplan, approved in July, established management goals for 2015-2019, with four main lines of action: growth, profitability and customers; resizing of non-core businesses; transformation and efficiency; and development of the management model.

All this enabled Kutxabank to make provisions of €479.3 million, 17.7% more than in 2014, and to double contributions to the BBK, Kutxa and Vital foundations.

Net interest margin stable in spite of historically low rates

One of the key elements that distinguished the financial context in 2015 was the persistence of extremely low interest rates: during the year rates hit historically low levels very close to zero. At the end of December the Euribor at 1 year stood at 0.059%, and the average for the year was 0.168%, 31 basis points lower than the average for 2014.

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The 0.9% rise in the Aggregate of net interest margin and fee income is evidence of the improvement in the contribution of basic banking activity).
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In spite of this fall, the Kutxabank Group managed to maintain its Net interest margin at €618.9 million, just 0.3% below the figure for the previous year. The main lever used to counteract the fall in rates was active management of liability prices, in such a way that the cost of setting up new deposits in the various business areas improved steadily, falling by 42 basis points. This gradual reduction fostered an increasingly substantial fall in financial expenditure, which was down by 38.2% on December 2014.

Income from Net commissions continued to rise, reaching €356.3 million, 3.1%more than in the equivalent period of 2014. As in the previous quarters, aside from the satisfactory results obtained from the marketing of new non-financial products, the main driving force behind this increase was the upward trend in the volume of pension and investment funds. This was favoured by the shift of term deposits towards off-balance-sheet products in search of higher yields.

Through linked accounts and reductions in interchange fees, Kutxabank was able to transfer to its customers substantial decreases in charges and fees. Even so, the aggregate of Net interest income and fee income totalled €975.18 million, 0.9% up on 2014. This evidences the improvement in the contribution made by core banking business.

Results for the Kutxabank Group to December 2015

Millions of euros	2015	2014	∆%
Interest margin	618.9	620.6	(0.3)
Net commisions	356,3	345,6	3,1
Aggregate of nim and fee income	**975.2**	**966.2**	**0.9**
Income from equity instruments	91.8	109.3	(16.0)
Sales & other trading income	283.9	111.6	154.4
Other operating income	31,7	64,7	(51,1)
Customers and equity instruments margin	**1.382.5**	**1.251.7**	**10.4**
General expenditures	(692.9)	(693.9)	(0.1)
Amortisations	(56,0)	(78,0)	(28,2)
Pre-provisioning profit	**633.6**	**479.9**	**32.0**
Impairment on financial assets & other provisions	(479.3)	(407.3)	17.7
Other income	50.0	74.1	(32.6)
Pre-tax income	**204.3**	**146.7**	**39.3**
Net income attributed to the Group	**218.8**	**150.3**	**45.5**

Equity portfolio maintains its traditional strength

As has traditionally been the case, the Group's equity portfolio made a strong positive contribution to income. Recurrent earnings arising from the dividends payouts and profit accounted for using the equity method remained high at over €90 million, maintaining a high degree of stability, in spite of a 16% drop on the figure for the end of 2014 as a result of the strategy of industrial portfolio investment rotation that the Group maintains year by year.

The monetising of the equity portfolio generated net provisions of €155.2 million with the largest contribution coming from the stock market listing of Euskaltel S.A. and its subsequent merger with the operator "R".

Another stand-out contribution was that of the insurance business, which contributed 10.9% more in comparative terms to the heading Other operating income thanks to improvements of commercial activity.

All this raised Customers and equity instruments margin to €1,382.5 million, 10.4% more than in 2014, thus confirming improvements in all business areas.

Provisions of €479.3 million, continue in levels of maximum prudence

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Operating expenses were down by 3%, thus evidencing the effectiveness of the cost containment and resource optimisation policy implemented
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The Group's operating expenses maintained the trend of containment with a fall of 3% that evidences the effectiveness of the cost containment and resource optimisation policy implemented.

The recurrent business margin, calculated as the Aggregate of net interest margin and fees income minus operating expenses and other ordinary operating results, was up by 24%, showing a favourable trend of the core banking business.

Maximum levels of prudence were maintained as regards restructuring of the loan and equity portfolio and in coverage for real-estate risk, in spite of lower levels of impairment on these risks and of the efforts made in previous years.

In this way, the improved results of the banking business, supported by other revenues from the equity portfolio, enabled the amounts earmarked for provisions to remain significant at €479.3 million. This figure also includes the full cost of the early retirement plans in place, charged to 2015 results. Even so the consolidated profit rose to €218.8 million, 45.5% more than in 2014.

Turnover totalled €100,000 million

Kutxabank's total assets were €58,376 million, 1.7% down on December 2014 as the effects of the generalised deleveraging of the system continued to be felt, albeit at a lower pace. Almost three quarters of the Balance sheet is accounted for customers' loan on the assets side, and customer deposits on the liabilities side. The Turnover with customers totalled €99,525 million, 0.3% up on the previous year.

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The trend in investment funds and pension plans took the Group to the nº 4 spot in the list of top fund managers
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Not counting wholesale funding, the volume of customer deposits including assets under management was €54,707 million, an increase of 3.1%. This growth was driven by retail networks, and was especially significant in view of the volatility that characterised the markets in the second half of the year and had a more negative impact on the value of investment funds and pension plans than in 2014. In spite of this, customer deposits (excluding covered bonds) were up by 1.3% thanks to the excellent performance of sight deposits, which increased by 11%.

Against a background of historically minimum interest rates, the favourable position for customers as regards off-balance-sheet products was maintained, in search of more attractive returns. This led to highly substantial growth in these items, with investment funds up by 11.1% and pension plans increasing by a more moderate 2.0%. The Group's excellent work in fund management keeps the entity at the 4th position in the table of Spain's leading fund managers.

The volume of new asset-related operations failed to offset depreciations and amortisations, but there was a highly significant increase in the number of new loans formalised. Thus, net lending by Kutxabank at the end of 2015 stood at €42,708 million, 1.7% less than in December 2014, compared to a 4.9% drop in the previous year. In spite of the substantial reduction in loans to developers and the major decrease in nonperforming assets, which exceeded €1.000 million, the shrinkage in investment was reduced thanks to increases in retail and business loans.

On the road to economic and consumption recovery

In 2015 improvements in the global economic situation and the gradual recovery of confidence on the part of consumers aligned with the Group's strategic goal of consolidating an increase in investment, highlighting personal and family loans and loans to SMEs. As a result, double-digit growth was achieved in new loans formalised.

New mortgage loans formalised by the Group increased by 38% in terms of amount. This enabled Kutxabank to increase its market share and consolidate its leadership in its home regions. It was certainly helped in this endeavour by sales of two of the market's basic benchmark products: mortgages from Euribor + 1% in the case of variable rates and from 2.50% for fixed rates. Seeking to enhance and extend the range of mortgage loans that it offered, Kutxabank recently launched a hybrid mortgage.

This growth was accompanied by a positive evolution in consumption lending. The total amount lent by Kutxabank was €180 million, 15% up on the figure for 2014. The increasing confidence of customers in alternative channels for formalising such loans was another significant point. This is evidenced by the fact that the amount in loans formalised via online banking doubled.

In the same line, as regards commitment to economic and social development of the environment, and with the help of an extensive network of specialized managers, Kutxabank has also helped to boost the business segment of SMEs, a sector where substantial growth was also attained in terms of new loans.

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In 2015 funding for SMEs totalled close to €2,000 million, 23% up on 2014
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New loans to SMEs totalled over €2,000 million, 23% more than in 2014. 2015 also saw increases of 18% in trade discounting and 27% in funding for foreign trade. This upturn in new loans resulted in growth of close to 4% in overall loans and guarantees granted, with no nonperforming assets. The implementation of the 'Makina Berria' plan (for financing new machinery purchases), set up in cooperation with the three Basque regional employers' associations, marked a turning point on the SME funding curve. The programme was renewed at the end of the year and extended to €1,000 million.

Entry of nonperforming assets down by 66%

Financial year 2015 clearly confirmed the turning point marked by 2014 in NPL ratio evolution. The entry of nonperforming assets was down by 66% in comparison to the previous year and the balance of such assets fell for the eighth successive quarter (by over €1,000 million in 2015). Thanks to this the Group's NPL ratio continued to improve, standing at 8.65% as of 31 December, 203 basis points lower than in 2014. If defaults associated with real-estate operations are excluded the ratio stands at just under 5%. This confirms that the Group's credit quality remains well above the average for the financial sector, where the overall NPL ratio at the end of December was 10.1% for loans to other resident sectors.

Kutxabank, at the cutting edge of technology

In line with its philosophy of maintaining at the cutting edge of technology, Kutxabank extended its contactless payment system to Bizkaia and Gipuzkoa following its successful implementation in Álava the previous year. It also replaced the PoS terminals at more than 10,000 establishments with latest-generation models and launched an innovative system of stickers that can be attached to mobile phones to enable them to be used for contactless purchases, just like cards.

As part of the same operation, the Group provided its customers with access to the '**V.me by Visa**' system, which makes increasingly frequent electronic purchases more secure and convenient. It also launched an innovative payment system named '**appatxas**' which enables mobile phones to be used to make easy, immediate and completely secure payments.

These technological advances are changing the way in which the Group deals with its customers, 60% of whom are now online banking users; indeed, for 30% the Internet is their principal venue for operations.

Leading the field in solvency

As of the end of 2015 the Equity of Kutxabank Group stood at €5,338 million, 6.2% up on the previous year. 2014 saw the entry into force of new regulations on capital (CRD IV / CRR), transposing the Basel III agreements into EU regulations. Under these new regulations, which are stricter in terms of both the quantity and the quality of capital, the Group's solvency ratios at the end of 2015 were the highest in its sector: its total capital ratio was 14.7% and its **Core Tier I** ratio was 14.6%. The fully loaded version of this ratio (calculating capital without considering the rules for transitional computation) was 14.3%. The leverage ratio was 7.7%, which is well above the average for the sector.

These sound figures enabled the Kutxabank Group to continue to be one of the most highly capitalised organisations in the financial system. This strong position was achieved thanks to the Group's ability to generate capital internally, without resorting to public aid of any kind or to instruments placed on the market or – of course – on customers. This enabled Kutxabank to top the Spanish financing sector in terms of solvency once again in the transparency exercise conducted in 2015 by the European Banking Authority.

The CT1 capital requirements of the European Central Bank for the banks that it supervises were published in December 2015. The figure for Kutxabank is 9.05%, the second lowest in the Spanish banking system.

50% of profit earmarked for community welfare work

Kutxabank's sound position enabled it to increase the dividends distributed from 30% to 50% of its profit. Thus, the Board of Directors proposed to the General Meeting of Shareholders that a total dividend of €109.4 million be distributed, almost two and a half times the figure for 2014. This is the highest social welfare dividend of the whole system depending on its size, and one of the biggest in absolute terms. As such it reflects Kutxabank's commitment to the community welfare work done by its shareholders' banking foundations.