kutxabank

Dirección de Comunicación **Nota de prensa**

Kutxabank is one of the few banks whose banking business in Spain posted profits in the two last years, which has enabled it to continue backing Social Works.

Kutxabank ends 2013 with profits of 108.3 million euros, 28% up on the previous year

- **471 million euros earmarked for retrenchment and all the business risk hedging needs anticipated**
- **Non performing loan rate contained at 8.22% and increases the distance with the sectors' average set at 13.6%**
- **Turnover has reached 111,000 million euros**
- **With a Core Capital of 12% and a Leverage Ratio of 7.02%, it is in a strong position to confidently face the next European banking stress test**

Bilbao, 27 February 2014.- In an adverse and challenging environment and despite the major effort regarding allocations and retrenchment of its assets, Kutxabank ended 2013 with a **consolidate net profit** of 108.3 million euros, up 28.1% on 2012. Thanks to these results, that show that the bank is in a solid capital situation regarding the future, the financial Group is on the **road to recovery**, in a climate marked by the start of the exit from the banking crisis.

Since it was founded in 2012, Kutxabank is one of the few financial institutions whose banking business in Spain has obtained **positive results.** This has enabled it to continue **backing the Social Works** run by its three shareholders, BBK, Kutxa and Vital.

CajaSur Banco secured a positive contribution to the profit and loss account of 6.5 million euros, after having returned in 2013 to recurrent retail banking revenues, pursuant to Kutxabank standards.

Thanks to **appropriate and prudent business management,** to the revenue from services and to its regular cost containment policy, the financial Group has managed to offset the pressure on the banking margins, the increase in the non-performing loan rate and the impact on Kutxabank of its contribution to the banks in difficulties.

Kutxabank has obtained these figures from the purely banking business, **without any type of public bailouts,** capital increases or hybrid issues and with a minimum contribution of the so-called 'carry trade' or interest rate arbitration between the ECB intervention rate and the public debt yield. The financial year saw the consolidation of the operational integration of the three Basque savings banks in Kutxabank, without undermining the daily management of the business and meeting the needs of the customers.

The Kutxabank Group **non-performing loan rate** was comparatively better than that of the rest of the financial sector, despite the new refinancing accounting policy and the advantages enjoyed by many banks due to the mass transfer of their most impaired property assets to Sareb (the Spanish bad bank). The Kutxabank non-performing loan rate (8.22%) has widened the distance with the average of the system (13.6%). After including the CajaSur assets, the non-performing loan rate of the Group stood at 11.16% and had a growth rate that was far more contained than the average for the sector. The non-performing residential mortgage rate (mortgages for individuals) of the Group stood at 3.45% and the total rate except for the one linked to developer risk was 5.5%.

The synergies obtained from the integration has enabled administration costs to be cut by 7.4%.

Despite the **excellent management of liabilities** and the sound liquidity position, the high relative strenght of mortgage loans in the loan portfolio in the current adverse rate environment resulted in the **interest margin** falling by 22.3%. The earnings from services rose by 4.1% from the transfer of deposits to Investment Funds and from the good results of the marketing of new non-financial products, mainly insurance products.

The synergies from the integration were significant in 2013. The **administration costs** fell by 7.4% with a 13% drop of the **general expenditures** and personnel expenditures were down 5.2%. These figures endorse the efficiency of the resource optimisation and cost moderation policy. The **Operating Margin** stood at 522 million euros.

The Group chaired by Mario Fernández took further steps to **strengthen provisions** in 2013. Specifically, a total of 471 million euros were earmarked for allocations and asset retrenchment, which was a high figure, even though it was lower than the figure for 2012, a year when an additional 120 million were earmarked to cover the integration operation. Once all the regulatory requirements had been met, an special effort was made on **risk hedging** that implies that Kutxabank has anticipated in 2013 all the possible future business risk hedging needs and the extraordinary depreciation of IT developments related to the integration, to the tune of 40 million euros.

The turnover has reached 111,000 million euros and customer resources totalled 62,280 million in 2013.

The **turnover** has reached 111,000 million euros. The pace of attracting customer resources, which continued to grow throughout the year, was one of the main drivers of the Kutxabank Group business. **Customer resources** totalled 62,280 million euros, a figure that was very similar to the one for the previous year, despite the multicedent mortgage notes that expired in 2013 not being renewed.
The customer resources of the business networks grew 1.9%, mainly down to the 3.6% noticeable increase of the Retail Network resources.

Cash deposits, up 3.1%, **retirements products,** which grew 8.8%, and **investment funds,** which were up 35%, mainly due to the delegated portfolio management, yet again performed outstanding well throughout the Business network. .

In a year characterised for great deleverage, the **Net Customer Loans** investment of the Kutxabank Group dropped 6.5% to 45,694 million euros. Despite the drop in business, Kutxabank has maintained the share on individual mortgages contracting close to 40%, which consolidates its leadership in the Basque Country and in Cordoba.

In order to stimulate the economic activity, Kutxabank has acceded to different **institutional programmes** to support business initiatives, such as the one implemented by the Basque Government to finance SMEs and the self-employed, where the bank has signed 30% of the operations. It likewise has numerous partnership agreements in place with **business and trade associations.** Kutxabank has agreed to mobilise a maximum of 850 million euros in credit for Basque companies through the employers' association of Álava, Bizkaia and Gipuzkoa, provinces where the bank has a penetration share in companies of 70%. Kutxabank’s support of Basque companies to implement their **projects abroad** was reflected in the 18% increase in the funding awarded to internationalisation initiatives.

The operational integration of the networks has likewise helped to improve the ‘**Kutxabank Kredit’** positioning in the consumer loan segment, with a 15.6% increase in the hired balances.

In order to boost sales in local businesses, Kutxabank has set up a commerce **credit'** system in nearly 2,500 partner establishments, which have a new sales tool offering their customer significant payment facilities. Furthermore, the bank has increased up to 1,250,000 the number of rated people that may benefit from the 24,500 million euros in **pre-approved loans** that are easy to take out.

As regards 2014, Kutxabank has set itself the target of growing the turnover and of continuing to support local economic development by means of investment.

Technological improvements, such as the new mobile banking, have provided a strong impulse to the Kutxabank Group's commercial activity.

The culmination of the complex **operational integration** process of the BBK, Kutxa and Vital networks and computer system into a single platform means that all Kutxabank networks can share tools and commercial policies. All Kutxabank users thus benefit from common commercial benefits and from a greater range of products and services available.

Furthermore, customer accessibility to the most common banking formalities has improved notably with the implementation of the new **mobile banking**, both for individuals and for companies. This new tool allows numerous operations to be carried out from mobile phone or tablets, in a very convenient and user-friendly way. Several months after it was launched, the number of mobile banking users has grown significantly and 25% of the use of the website is now through those appliances.

There are increasingly more Kutxabank customers that rely on the versatility, convenience and safety of the **Online Bank.** This can be seen from the more than 3.3 million connections per month and that 70% of the intrabank and interbank transfers are carried out using this channel. In the case of companies, over 3,000 million euros are moved by month online.

Payment instruments have also benefited from technological improvements. During 2013, Kutxabank laid the foundation to launch a revolutionary system, the **'contactless cards',** which allow minor purchases to be carried out quickly and easily. This system will soon be implemented in Álava and will be gradually extended to the rest of the Basque Country.

These improvements to the technological positioning were an important impulse to the commercial activity of the Group, based on **better personalised service** and on a range of products adapted to the specific needs of its customers.

Kutxabank consolidated its solvency levels, which are placed at the very top of the system.

Kutxabank continued to strengthen its **solvency levels**, exclusively generated by the banking business, to place them at the head of the system, without any public aid, capital increases or hybrid issues.

The financial group ended 2013 with a **Core Tier I** of 12%, after rising 184 basic points, and with total solvency of 12.4%. Kutxabank now exceeds, with a 10.8%, the harsh capital requirements set by Basel III for the end of 2019 (fully loaded) and its **Leverage Ratio** is at the top of the sector, at 7.02%, which is more than double the minimum required (3%).

As can be seen from those indicators, the bank is in a strong position to confidently face the new requirements of the European legislation known as **Basel III and the bank stress test** planned for next year.

Kutxabank Group Results, December 2013

(million of euros)	2013	Δ%
Interest Margin	716.0	(22.3)
Income from equity instruments	105.4	(26.1)
Equity method income	25.2	na
Commissions	321.6	4.1
Trading income	153.8	(11.8)
Gross Margin	1,322.0	(13.7)
General expenditures	(726.4)	(7.4)
Amortisations	(74.0)	(1.8)
Pre Provisioning profit	521.6	(22.3)
Impairment of Financial assets and other provisions	(470.5)	(24.0)
Other results	42.0	136.9
Pre-tax result	93.1	33.5
Results attributed to the group	108.3	28.1