Beat: Business

BBVA earns €1.54 billion in the first quarter

Gross income increased 16.2%

Madrid, 30.04.2015, 09:08 Time

USPA NEWS - BBVA posted a net attributable profit of €1.54 billion between January and March of 2015, up 146.2% from a year earlier. Without including the capital gains from the sales of shares in Chinese bank CNCB, profit increased 52.8% to €953 million.

The good earnings performance and cost containment measures helped push profits higher. These results confirm the positive growth trend we have seen since the end of last year,“ said BBVA President and COO Ã ngel Cano. “The quality of our earnings, improved risk indicators, a solid capital position and the progress made in the digital transformation are the quarter´s key drivers.“ Ã ngel Cano also mentioned the closing of the Catalunya Banc deal, which makes BBVA the leading financial institution in Spain, adding 1.5 million clients.

The BBVA Group´s income statement for Q1 saw growth across the board (net interest income, gross income, operating income, income before tax and net attributable profit.) In these quarterly accounts BBVA decided to apply the SIMADI exchange rate of Venezuela (193 strong bolivars per dollar, which implies a 93% reduction compared to the exchange rate previously used), as it believes it best reflects the situation at the date of the financial statements of the BBVA Group. For this reason and in order to explain the Group´s business performance, below we detail the evolution of the main income lines without including Venezuela.

Net interest income (NII) registered a very positive trend in all regions, thanks to a rebound in activity in developed countries despite a low interest rate environment. NII rose 17% year-over-year (+9.3% at constant exchange rates) between January and March, to €3.62 billion. Gross income, which is the sum of NII plus other revenues such as fees and net trading income, increased in the first quarter by 16.2% year-over-year (+9.0% at constant exchange rates), up to €5.54 billion.

Cost containment efforts allowed the bank to post operating income of €2.78 billion (+23.5% at current rates, +15.6% at constant rates), the highest number of the past nine quarters. A sound management of expenses, which grew more slowly than gross income, improved the efficiency ratio by 300 basis points to below the threshold of 50% (49.8%). All of this produced net income from ongoing operations of €1.03 billion (compared to €641 million a year earlier).

Including capital gains, net of taxes, from the various sale operations equivalent to 5.6% of CNCB, net attributable profit increased to €1.52 billion (compared to €567 million in the same period in 2014). Factoring in the contribution from Venezuela, the BBVA Group posted a profit of €1.54 billion in the first quarter (compared to €624 million during the same period a year earlier.)

As for risk indicators, they continued to show a positive trend. The BBVA Group´s NPL ratio improved to 5.6% in March, down from 5.8% at the end of December and 6.6% at the close of March 2014, with coverage of 65%. Regarding capital adequacy, BBVA showed solid, quality ratios across the board. The CET1 ratio stood at 12.7% at the close of March, according to current European legislation (CRD IV). If we apply the fully-loaded criteria, which anticipates future regulatory impacts, the CET 1 ratio would come in at 10.8%.

Better results around the world

The economic recovery was reflected in the Spanish banking business. New lending grew in the first quarter in SMEs (+40%), consumer (+31%) and mortgage segments (+19%). Total stock of gross lending shrank slightly in the quarter (-0.6%). Income from the banking business, including net interest income plus fees, grew 5.3% to €1.35 billion. The NPL ratio improved to 5.9%, with coverage of 46%. Impairment on financial assets continued to fall, decreasing 9.1% from a year earlier. This business area posted a profit of €347 million (-9.6%).

The real estate business in Spain took advantage of the more upbeat outlook for this market, allowing it to obtain capital gains from unit sales for the third quarter in a row, while reducing provisions. Furthermore, this business area continued to reduce its net exposure and narrowed losses by 37.2% to €-154 million. To better explain the performance of business areas with currencies other than the

euro, the variations mentioned below refer to constant exchange rates.

The United States managed to grow its activity, both in lending (+12.2%) and customer funds (+15.3%). The franchise obtained higher earnings volumes, even in a low interest rate environment, which, on top of contained costs, translated into double-digit operating income growth (+10.1%). A good risk management kept the NPL ratio at 0.9%, with coverage of 164%. The franchise passed the stress tests, received approval for its capital plan and acquired Spring Studio, a company that specializes in user experience and design. The United States posted a profit of €136 million, up 5.6% year-over-year.

Mexico also built up its balance sheet with double digit growth in lending and customer funds. Its NPL ratio improved to 2.8%, with coverage of 116%. BBVA Bancomer strengthened its leadership in the country, both in lending and customer resources. The buoyant business activity translated to earnings and profits, as this business area earned €524 million (+7.1%).

South America ""without Venezuela- saw lending and customer resources grow 12% and 11%, respectively, compared to the same period of 2014. All margins grew at double-digit rates in the first three months compared to the same period last year. The NPL ratio came in at 2.3%, with coverage of 119%. The Andean countries were the region´s growth driver, which posted a profit of €213 million (+8.1%). Using the SIMADI, Venezuela posted a profit of €15 million (-74.2% at current exchange rate and +246.2% at constant exchange rate).

Regarding Turkey, BBVA continues to obtain the regulatory approvals needed to increase its stake in Garanti. The excellent management of the Turkish bank, for yet another quarter, was particularly noticeable in income from the banking business (NII plus fees), which grew 26.2% year-over-year. Turkey posted a profit of €86 million (+12.2%). The rest of Eurasia contributed a profit of €36 million (-4.4%).

Article online:
https://www.uspa24.com/bericht-3968/bbva-earns-154-billion-in-the-first-quarter.html

Editorial office and responsibility:
V.i.S.d.P. & Sect. 6 MDStV (German Interstate Media Services Agreement): Jose A. Martin

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Official Federal Reg. No. 7442619