

## **Fitch confirms the rating of Kutxabank Group and values the soundness of its management**

- **The Rating Agency highlights the “quality of its assets”, the “broad and stable base” of its retail financing and its “solid management background”**
- **It maintains the Group’s long term credit rating at “BBB”, the same as the rating awarded to Spain**

**Bilbao, 6 May 2013.** Fitch has taken into account, when analysing the credit rating of the Kutxabank Group, the entity’s “position of leadership” in a community that has obtained better economic results than others, according to a report by the Rating Agency.

The Agency has valued positively the ability of the Group to generate benefits, the “quality of its assets”, higher than the average in the financial system; the “broad and stable base” of its retail deposits, its capacity to absorb losses and its “solid management background”.

It is known that Kutxabank applies a strategy of extreme caution and rigor, which was assessed in the stress tests carried out by Oliver Wyman in 2012, and which situated the entity as the most solvent among the leading Spanish banks, within the most severe scenarios.

The fact that the Kutxabank non-performing loans rate has remained below the average in the system reflects largely –according to the Fitch analysis–, the “resilience of its sizeable residential mortgage book” and a “relatively low loan exposure to real estate developers” (11% of total loans). The Rating Agency also considers the percentage of 68% of credit risk coverage registered on the same date as “adequate”. Fitch sets the ratio of Loans to Deposits at 119% and considers the maturity calendar for the period 2013-2015 to be “manageable”. Lastly, it highlights that the Group’s European Central Bank funding “is lower than the average in the system”.

After analysing all these circumstances, the independent Agency has ratified the credit rating that it awarded the Basque bank in June 2012, and it has once again rated the financial Group among the strongest entities in the system. The analysis has confirmed the Long Term Credit Rating of Kutxabank at “BBB”, the same rating awarded to Spain, while the Short Term Rating remains at “F3”.

According to Fitch, the weakness of the Spanish economy, affected by a high unemployment rate and a significant fall in activity is the cause of the Negative Outlook, as it considers that the present environment may lead to “a greater pressure on the quality of its assets and their performance”.

Within this context, and in the opinion of the Agency’s analysts, the main challenges that Kutxabank will face will consist in optimizing the synergies resulting from the integration of the three Basque Savings Banks and the restructuring of CajaSur Banco, whose credit rating have also been confirmed.

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