

Moody's affirms Kutxabank's rating and highlights 'its risk absorption capacity'

- **The international rating agency has considered that the quality of the financial group's assets, its non-performing-loan rate and income-generating capacities are 'better than the average' of the Spanish banking system**
- **In a generalised environment of falling ratings, the Kutxabank Group remains one of the best banks of the sector, with a long term rating of Ba1**

Bilbao, 16th July 2013. In a generalised climate of plummeting credit ratings, Moody's agency has upheld the ratings of the Kutxabank Group at Ba1 for the long term and NP for the short term, fundamentally due to its 'adequate risk absorption capacity', despite –as the report reads– the 'weakness' of the financial market and low interest rates.

The outlook in both cases is 'negative', according to Moody's, because the Spanish economy is still undergoing a recession', due to 'low global growth expectations' in the short term, the real estate crisis, the high unemployment rate, 'the highest in the eurozone', and the 'banking crisis'. According to this independent rating agency, these conditions could lead to 'a larger deterioration of quality assets in the banking system' and to an increase in 'the already fragile trust in capital markets'.

Moody's also justifies maintaining the Kutxabank credit rating due to the financial group's ability to 'generate own revenues' and to 'strengthen its capital' and the stabilisation of its non-performing-loan rate in the last two years, 'compared –says the report– to the significant worsening trend in defaults in Spanish banking'.

The agency also stressed the 'restructuring' carried out by the group in 2011, at the time it acquired CajaSur, and the 'considerable provisioning efforts', it executed via decrees in 2012, while upholding 'a flexible capital base'. On this point, Moody's pointed out in its report that Kutxabank 'successfully completed the operating and technology targets set out in the integration plan' for the institutions comprising the financial group.

It merits recalling that Kutxabank developed a strategy with utmost prudence and thoroughness, which was put to the test via the stress test performed by Oliver Wyman in 2012, which situated the bank as the most solvent of all the primary state banks, under the most adverse scenarios.

After analysing these circumstances, Moody's once again places Kutxabank among the strongest in the system, and concludes that the general indicators on the Basque Bank's asset quality situates it above 'the average of the Spanish banking system'.
