

Kutxabank retains its leadership as the most solvent entity within the Spanish financial system

- The bank has obtained the highest 'Common Equity Tier I' ratio, **11.8%** in the most adverse scenario, which doubles the minimum requirement of **5.5%**
- In Mario Fernández's opinion, Chairman of Kutxabank, this outcome "is extraordinarily positive" and obtained thanks to a professional model focused on its clients

Bilbao, 26th of October, 2014 Kutxabank is the most solvent institution within the Spanish financial system according to the final results of the Comprehensive Assessment performed to the **130 major banks in Europe** by European Central Bank (ECB) in cooperation with European Banking Authority (EBA).

In the **most severe scenario** (adverse scenario) of this exercise, the Basque financial Group has achieved a capital surplus of €2,278 million and a **capital ratio** 'Common Equity Tier I' of **11.8%**, the highest of the whole Spanish system, which doubles the minimum requirement set at 5.5%. This same indicator reaches **10.7%** in the "**fully loaded**" version (i.e., calculated as if the period of gradual implementation of the new computation rules of capital ratio had already elapsed).

This hypothetical adverse scenario has been used to analyze the capacity of institutions in absorbing the impact of a severe macroeconomic recessionary context, which considers inter alia, an increase in the unemployment rate, which would exceed 27% by the end of 2016; a fall in the price of housing above 9%; or rises in Spanish bond yields above 5.5%, among other indicators.

• • •
"Our clients do know that they hold their savings in the most solvent institution, which is a very comforting element"
• • •

In the **baseline scenario**, Kutxabank's highest quality capital has also been **one of the best** in the Spanish financial system according to European Central Bank.

With a 'Common Equity Tier I' ratio of **12.4%** at 2014 year end, 4 points above the minimum level set at 8%, that would increase up to 13.1% at 2016 year end. The solvency ratios in this scenario have also been calculated based on economic forecasts, less adverse than in the adverse scenario, by the Authorities that have taken part in the exercise.

Kutxabank, a professional management model

• • •
“Kutxabank will have to adapt to the global economy to remain at the top”

For the second time since its foundation in 2012, Kutxabank has reached the best capital ratio in banking stress tests. In September 2012, the analysis performed by Oliver Wyman to 14 major Spanish Banks attributed Kutxabank the highest capital ratio of the whole system.

Mario Fernández, Chairman of Kutxabank, has evaluated stress test results as “extraordinarily positive”, and has assured that they enable to “maintain our main objective, which is to satisfy our clients. They do know that they hold their savings in the most solvent institution within the Spanish financial system and I believe it is a very comforting element”.

• • •
“The Saving Banks have integrated in Kutxabank and we are the same, the same people, a professional banking model with social vocation”

The Chairman of the financial Group has highlighted “the institution’s professional model and its social vocation. The Saving Banks have integrated in Kutxabank and we are the same, the same people, a professional banking model with social vocation”. He has pointed out that “all profits obtained in this home that are distributed, are assigned only to

Welfare projects”.

Mario Fernández has defended the validity of the solvent and professional model of Kutxabank. “Remaining in its essence – he has pointed out – it has to adapt to the global economy, and we will probably have to do what is necessary to continue to operate under identical conditions as our competitors if we want to be at the top”.

European Central Bank methodology

The comprehensive assessment coordinated by the European Central Bank has been based on a common methodology established by the European Banking Authority, which has been applied to each of the 130 participating banking groups.

The overall Spanish financial system has obtained sound results in this rigorous assessment, which has been performed in three phases. In the first stage, European Central Bank evaluated the supervisory risk on each institution (Risk Assessment Exercise), by assessing the inherent risk, risks control and internal control. For this exercise, ECB established a new scoring system based on harmonized indicators.
















In the second phase, National Authorities (in this case, Bank of Spain) in conjunction with the main auditing firms, performed a complete analysis on the quality of assets (Asset Quality Review, AQR), in order to determine the adequacy of credit risks collateral

valuation and the valuation of complex instruments along with high risk exposures. It has to be highlighted the remarkable AQR results obtained by the Spanish financial system compared to the rest of European institutions.

Finally, being the AQR results the starting point, European Banking Authority and European Central Bank coordinated the stress test exercise. This exercise was designed to identify the absorption capacity of institutions to adverse or stressed scenarios.

Additionally, "leverage ratio" has been subject to analysis, which is a relevant indicator in order to determine the soundness of a credit institution. Also in this case, Kutxabank has obtained a leverage ratio of 7.1%, which is the highest ratio in the Spanish financial system.

The final results that have been published today by both ECB and EBA have been obtained once the calculations in the stress test scenarios and the information obtained in the Asset Quality Review have been integrated.

RK	INSTITUTION		CET1% RATIO 2013	CET1% RATIO 2016 ADVERSE	CAPITAL EXCESS OVER 5.5% (€MM)
1		KUTXABANK	12.1%	11.8%	2,278
2		BANKINTER	12.0%	10.8%	1,300
3		BANKIA	10.7%	10.3%	4,767
4		CAIXA	10.3%	9.3%	6,564
5		ABANCA	10.3%	9.1%	813
6		BBVA	10.8%	9.0%	13,233
7		SANTANDER	10.4%	9.0%	19,456
8		UNICAJA	11.1%	8.9%	1,141
9		SABADELL	10.3%	8.3%	2,262
10		BMN	9.4%	8.1%	532
11		CATALUNYA BANC	12.3%	8.0%	445
12		CAJAMAR	11.0%	8.0%	592
13		IBERCAJA	10.0%	7.8%	641
14		POPULAR	10.6%	7.6%	1,752
15		LIBERBANK	8.7%	5.6%	22