

FITCH IBCA ELEVA EL RATING DE CAJA DE CASTILLA LA MANCHA

La Agencia de calificación **Fitch IBCA** ha elevado el rating de Caja de Ahorros de Castilla La Mancha. Las nuevas calificaciones otorgadas son las siguientes:

Largo Plazo, **A** (antes A-)
Corto Plazo **F 1** (antes F2)
Perspectiva **Estable**.

Estos ratings, según ha informado la agencia, reflejan la fuerte implantación regional de la Caja, la buena calidad y rentabilidad de sus activos, su liquidez y adecuados recursos propios. Se considera asimismo su tamaño y una cierta apetencia por el riesgo.

La Dirección de la Caja ha mejorado la rentabilidad mediante el crecimiento del negocio y la implantación de políticas de riesgo acertadas que han respaldado una mejora en la calidad de los activos.

El texto íntegro de la nota emitida por Fitch IBCA es el siguiente en su versión original:

29 June 2004

Spain

Credit Update

Caja de Ahorros Castilla La Mancha

Ratings

Caja de Ahorros Castilla La Mancha

Foreign Currency

Long-Term A

Short-Term F1

Outlook Stable

Individual B/C

Support 3

Sovereign Risk

Foreign Long-Term AAA

Local Long-Term AAA

Outlook Stable

Financial Data

Caja de Ahorros Castilla La Mancha

31 Dec 2003 31 Dec 2002

Total Assets (USDm) 12,175.80 8,497.27

Total Assets (EURm) 9,640.80 8,103.00

Equity (EURm) 581.40 523.00

Op. Profit (EURm) 84.90 68.60

Net Income (EURm) 75.40 73.00

ROA(%) 0.86 0.90

ROE (%) 13.65 14.69

Tier 1 Ratio (%) 8.62 9.50

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Rating Rationale

Assessment

The ratings of Caja de Ahorros de Castilla La Mancha (CCM) reflect its strong regional franchise, good asset quality and profitability, as well as its sound liquidity and capital adequacy. They also consider its size and some appetite for market risk.

The caja's management has made great strides to enhance profitability through business development and by implementing sound risk management policies which have backed an improvement in asset quality; previous problems are now firmly in the past. Management has tended to smooth bottom line profitability by building up reserves from capital gains and releasing them when needed.

Strong loan growth and a relatively wide net interest margin, supported by a low-cost deposit base and active pricing policies, have held up CCM's net interest revenue in spite of fierce competition and low interest rates.

Operating profitability was also aided in 2003 by higher income from financial operations, some improvement in commission income and fairly good cost control, allowing for the continuing build up of statistical and general loan loss reserves required by the Banco de España (BdeE). There is, however, more scope to improve commission income and cost efficiency.

The need to maintain an extensive branch network makes cost reductions difficult to achieve. While branch expansion and sizeable IT investments have pushed up non-interest expenses, management made efforts in 2003 to control these and is aware of the need to continue doing so.

Asset quality has improved markedly reflecting the bank's more prudent credit risk policies and enhanced control systems, but it has also been aided by the buoyant Spanish economy. At end-March 2004, the impaired loans to total loans ratio was 0.74% and loan loss cover was 345.7%, ratios that are exceptional by international standards.

Seeking both revenue and geographical diversification, CCM has built up a sizeable, although fairly low risk, private fixed income portfolio, stepped up its treasury and capital markets activities, mainly government securities intermediation, and has also boosted equity investments. The resulting increase in market risk is controlled using a system of limits. Balance sheet mismatches are minimised by asset and liability management.

In addition to retail deposits, CCM has diversified funding sources to include issuing mortgage covered bonds, domestic commercial paper and subordinated debt, and securitising mortgage loans.

CCM's capital base is adequate, with an EU total capital to weighted risk ratio of 11.1% at end-2003, aided by a EUR120m preference share issue. Excluding the latter, the Tier 1 ratio would still be adequate at 6.8%.

Support

As a consequence of the importance of CCM in its home region of Castilla-La Mancha, and despite the absence of a formal guarantee mechanism for the Spanish savings banks system, Fitch considers that, in case of need, there is a moderate probability that the Spanish financial authorities would provide support.

Background

CCM is the parent of Spain's 24th largest banking group and 15th largest caja, ranked by total assets at end-2003. It is based in the autonomous community of Castilla-La Mancha, where it has market shares for loans and deposits of 23% and 34%; it is also expanding into other regions of Spain.

The caja's main activities are retail deposit taking and lending to small and medium-sized enterprises (SMEs) and to individuals (largely residential mortgages). At end-2002 it had 454 branches and 2,369 staff.