

Spain
Credit Analysis

Caja Espana de Inversiones, Caja de Ahorros y Monte de Piedad

Ratings

	Current Ratings
Foreign Currency	
Long-Term IDR	BBB+
Short-Term IDR	F2
Individual Rating	C/D
Support Rating	3
Support Rating Floor	BB+
Sovereign Risk	
Foreign-Currency Long-Term IDR	AAA
Local-Currency Long-Term IDR	AAA

Outlooks

Foreign-Currency Long-Term IDR	Negative
Sovereign Foreign-Currency Long-Term IDR	Stable
Sovereign Local-Currency Long-Term IDR	Stable

Financial Data

	31 Dec 08	31 Dec 07
Caja España de Inversiones, Caja de Ahorros y Monte de Piedad		
Total assets (EURm)	25,017.9	22,377.4
Total equity (EURm)	1,078.7	1,302.5
Operating profit (EURm)	13.3	93.0
Published net income (EURm)	44.3	148.3
Comprehensive income (EURm)	-202.8	126.8
Operating profit/average total assets (%)	0.06	0.43
Operating profit/average equity (%)	1.15	7.49
Eligible capital/weighted risks (%)	7.21	8.72
Tier 1 ratio ^a (%)	7.46	7.37

^a Under Pillar I of Basel II

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Rating Rationale

- The ratings of Caja España de Inversiones, Caja de Ahorros y Monte de Piedad (Caja España) reflect its good franchise in its region, proactive management, below-sector-average loan growth in 2004-2007 and comfortable liquidity. They also address risk concentration in the real estate sector; a marked deterioration in asset quality and profitability; and some appetite for equity investments.
- In 2008 and Q109 operating profitability declined mainly due to the hike in credit provisions in the context of stagnant revenues and a high non-interest cost base, reflected in a 62% cost/income ratio in Q109. One-off capital gains from sales of available-for-sale (AFS) government securities and a partial sale of an equity stake eased the large specific loan impairment charge. Fitch Ratings expects further pressure on the 2009-2010 P&L given Spain's recession. The caja is proactively managing customer spreads, asset quality and non-interest costs.
- Given tightened criteria since Q406, loans grew 19% in 2004-2007, which was lower than at most cajas. Real estate/construction exposure was a high 34% of end-Q109 loans; 43% of which was for primary residences and 33% for land financing (52% of which not qualified as urban land). The small size of projects and 45% of loans being to individuals bring some risk diversification. With the rise in real estate companies facing financial difficulties, its 7.5% end-Q109 impaired/loans ratio was above the sector average. However, this ratio included EUR197m of performing loans classified as "impaired" due to a thorough Bank of Spain inspection in 2008. Excluding these, the ratio would be 6.3%. While Fitch expects higher troubled loans, the caja's cautious provisioning policy with a EUR116m generic reserve is a cushion. At 58% of end-Q109 eligible capital, equities were largely long-term and in a few major Spanish companies, diversifying by sector. In 2008 and Q109, asset sales and lower valuation adjustments adversely affected Fitch comprehensive income.
- Caja España's comfortable liquidity is supported by its good retail deposit base (77% of end-Q109 loans), a large stock of readily available liquid assets (12% of assets); wholesale funding balanced by issuance, maturities and instrument; and the government-guaranteed funding scheme. Capital ratios are adequate but are necessary given the caja's exposure to the real estate/construction sectors.

Support

- Given the importance of Caja España in its home region, and despite the lack of a formal guarantee mechanism for the Spanish savings bank system, Fitch believes there is a moderate probability that, in the first instance, support would be provided from within the savings bank system and ultimately from the Spanish financial authorities.

What Could Trigger a Downgrade?

- While the caja has a good franchise and comfortable liquidity, it is challenged to defend profitability and manage asset quality amid a sharp adjustment in the Spanish economy and housing market. If asset quality deterioration accelerates, affecting profitability and capital, the caja's ratings could be downgraded.

Profile

Caja España, the 13th-largest Spanish caja by total end-2008 assets, is based in the region of Castilla-León. At end-Q109, it had 3,266 staff and 606 branches.

- Medium-sized Spanish caja based in Castilla-León and with some presence in the neighbouring Madrid
- In process to initiate merger talks with another regional mid-sized caja

Profile

Caja España, headquartered in León, was established in 1990 through the merger of five cajas from the provinces of León, Palencia, Valladolid and Zamora. In 1997, it started an ambitious strategic plan to expand beyond its sparsely populated home region, the Autonomous Community of Castilla-León, and consolidate the 104 branches acquired from Banco de Fomento in 1994. At end-Q109, Caja España had 606 branches, around 63% of which were located in its home region and 16% in the Autonomous Community of Madrid. At end-2008, it had a sound market shares in its home region of 13% in loans and 19% in deposits.

Given the need to rationalise operating costs in a recessionary environment in Spain, Caja España seeks to improve cost efficiency by the integration of its branch network throughout 2009. In April 2009, the caja's board of directors also agreed to initiate merger talks with Caja de Ahorros de Salamanca y Soria (Caja Duero; equity: EUR1.2bn, assets: EUR20.7bn at end-2008), another mid-sized caja based in Castilla-León. While this should help in gaining financial muscle and in achieving cost synergies, talks still are at a very early stage and Fitch will evaluate the potential impact on ratings once it has more certainty on the outcome of the negotiations and as details become available.

In 2001, the caja sold 50% of its life insurer Caja España Vida (CEV) to Aviva (formerly CGNU), allowing the latter to distribute its products through the caja's branch network. Under the agreement, Caja España receives commissions on every policy sold and 50% of CEV's profits. Capital gains of EUR129m from the deal were used to build up reserves to cover potential penalty claims from Aviva so long as the caja does not meet certain objectives included in the agreement. At end-2008, the non-credit reserve from the transaction totalled EUR46m.

Caja España wholly owns Invergestion, a holding company that mainly invests in blue-chip corporates. It also has eight equity-accounted joint ventures (JVs) with developers based in expansionary areas. In 2008, the book value of one of these JVs was fully written down (EUR5m). The caja also owns stakes of at least 50% in three small real estate companies with EUR79m of end-Q109 real estate assets (net of impairments), which are integrated in the group's accounts.

Presentation of Accounts

The 2008 financial statements have been reported according to the Bank of Spain's Circular 6/2008. Fitch has not reclassified previous statements in the attached spreadsheet and, therefore, some figures are not fully comparable. Nevertheless, the agency considers that classification issues are not significant and do not alter the analysis of fundamentals; previous years' figures are included for information.

Performance

Reflecting the sharp adjustment of the Spanish housing sector, Caja España's underlying profitability declined in 2008 and in Q109 mainly due to higher loan impairment charges. Stagnant operating revenues and rising operating costs also affected profitability. While 2008 impairment charges were in part for potentially problematic loans (EUR44m), in Q109 loan impairment charges were fully specific due to persistent abrupt rises in impaired real estate loans. The latter was eased off, at the net-income level, by one-off capital gains from sales of available-for-sale (AFS) fixed-income securities (EUR95m, entirely government securities) and further sales of its AFS stake in Iberdrola (EUR7m; EUR87m in 2008). It is worth noting that the caja has favoured building up reserves rather than reporting higher net income and has one of the highest reserves/loans ratios in the sector.

Given its retail focus, net interest income (NII) accounted for 77% of total operating revenues in 2008 and remains the main revenue source. NII rose by 2% in 2008, but is in part distorted by dividends from key listed equity investments, which grew 20%

- Financial flexibility through the income statement is affected by a higher non-interest operating cost base
- With further credit provisions, Fitch expects management of spreads, further capital gains and cost control to help profitability
- Weak cost efficiency

and accounted for 7% of NII. Excluding this, NII would stagnate in 2008 due to lower business growth and higher funding costs for most of that year. The net interest margin (NIM) narrowed further and continued to lag those of its peers somewhat, mainly due to the lower share of assets in lending and higher impaired loans, which do not accrue interest revenues. Despite lower dividends and lending volumes for 2009 and 2010, management of spreads and the activation of interest rate floors on old loans could help cushion revenue pressure and future loan impairment charges.

Table 1: Selected Performance Indicators

(%)	Caja España			Peer group average ^a		
	2008	2007	2006	2008	2007	2006
Net interest revenue/average earning assets	1.86	1.91	1.85	1.91	1.92	1.96
Non-interest expense/gross revenues	62.33	57.17	60.46	59.26	56.51	58.79
Pre-impairment op. profit/average total assets	0.83	1.08	1.00	1.11	1.14	1.15
Operating profit/average total assets	0.06	0.43	0.66	0.64	0.74	0.89
Operating profit/average equity	1.15	7.49	11.35	8.82	10.39	11.56
Equity/total assets	4.25	5.82	5.75	6.36	7.51	7.91

^a Caixa Penedes, Caja Navarra, Cajastur, Sa Nostra, Caja General de Canarias, Cajamar and Caja España

Source: Banks' data under IFRS adapted by Fitch

Commission income remains the main contributor to non-interest operating income, although it fell by 11% in Q109 and 6% in 2008 due to lower fees from mutual fund management and lending-related commissions. At 0.35% of average end-Q109 earning assets, fee-based income has scope for improvement. While the caja is not very active in trading activities, in Q109 it reported recurrent capital gains, given its policy of rotating the AFS portfolio of short- to medium-term government securities (EUR8m). It also repurchased EUR26m of senior debt issued by the caja and reported EUR2m of capital gains, benefiting from a decline in the market value of these securities. Equity-accounted earnings declined due to negative results from affiliated real estate developers and lower results from its life-insurance business.

Table 2: Other Operating Income

(EURm)	3M09	2008	3M08	2007
Commission income	23.1	100.6	25.9	105.9
Commission paid	1.9	8.8	2.1	8.5
Net commission income	21.2	91.8	23.8	97.4
Earnings from equity-accounted affiliated companies and non-banking services	-0.6	-7.1	-0.1	5.7
Gains/(losses) realised on AFS securities	12.1	13.1	2.1	19.3
Gains/(losses) on trading and derivatives	0.8	-1.4	0.5	6.1
Other operating income	4.0	22.3	3.8	11.1
Total non-interest operating income	37.5	118.7	30.1	139.6

Source: Caja España's financial data under IFRS

With costs rising by 7% yoy in Q109 and stagnant revenues, its cost/income ratio worsened somewhat to 62%. However, some cost-cutting initiatives have been put in place to gain financial flexibility. The high cost base results from the need to maintain a number of branches in a sparsely populated region of Spain.

“Other credit impairment charges” included provisions for off-balance-sheet credit commitments (EUR3m) and AFS fixed-income securities (EUR4m, entirely generic). “Non-recurring income” related to the net effect of EUR102m in capital gains from sales of AFS investments and a EUR6m provision for non-current fixed assets incorporated into the balance sheet from loans.

Prospects

The recessionary environment in Spain is likely to place further pressure on asset quality and profitability at Caja España as well as at other Spanish cajas. While the caja's 2009 NIM should benefit from the repricing of loans at rates when the Euribor peaked in October 2008, its P&L will continue to be affected over the next two

Table 3: First-Quarter Results

(EURm)	3M09	3M08
Net interest income	101.0	105.3
Net commission income	21.2	23.8
Other operating income	16.3	6.3
Non-interest expenses	87.9	82.3
Pre-impairment op. profit	50.6	53.1
Impairment charges	131.2	25.0
Operating profit	-80.6	28.1
Other inc. and expenses	98.3	19.3
Published pre-tax profit	17.7	47.4
Taxes	4.8	6.2
Net income	12.9	41.2

Source: Caja España's data under IFRS

years by lower business volumes, a high non-interest cost base and loan impairment charges. Equity investments have brought some volatility to the caja's equity and P&L, although Fitch does not expect any further large-scale declines in value. The main challenge for Caja España is to manage its high risk concentration to the construction and real estate sectors and minimise loss severity on these exposures. Caja España has buffers to help mitigate this challenge, including a high level of loan impairment reserves built up over the years and the possibility of generating further capital gains from AFS investments.

- Below-sector-average loan growth in the past, in part thanks to tighter credit policies since mid-2006
- High concentration in the declining real estate sector is causing a marked asset quality deterioration
- Conservative provisioning policy since mid-2006
- Some appetite for equity investments

Risk Management

The board of directors has ultimate authority over risk management systems, but it delegates some functions to the asset and liability committee (ALCO), which is made up of senior management. The ALCO meets monthly to define the loan approval guidelines and set liquidity and market risk policies. Caja España's main risk is credit-related from loans (64% of end-Q109 assets), private fixed-income securities (11%) and off-balance-sheet credit commitments (EUR663m in guarantees and EUR2,033m in undrawn credit lines). Market risk stems from structural balance sheet mismatches and a large equity portfolio. Derivatives are mainly for hedging.

Credit Risk

Loans are approved centrally with delegated authorities at branches, the territorial committee, the risk committee and the executive level. Caja España's lending criteria to the real estate sector were tightened in Q406 and part of its real estate loans were already reclassified as potentially problematic (substandard; 10% of risk covered), taking advantage of sizeable capital gains to voluntarily build up reserves. Lending grew 19% between 2004 and 2007, which was below the sector average. Since mid-2007, new real estate lending has been slowed down, and this impacted further on business growth. Loans grew a low 4% in 2008 and stagnated in Q109 yoy.

At end-Q109, the loan book was split as follows: 45% to individuals (78% of which were residential mortgages), 51% to companies and 4% to other borrowers (mostly the public sector). The main sectors for corporate lending were real estate and construction (34% of loans); services (10%), manufacturing (9%), commerce and hotels (9%), agribusiness (4%), and transport (2%). Mortgages accounted for 72% of end-Q109 loans (60% of which were eligible for covered bond issues). The average loan/value (LTV) ratio was 62% and 11% of the book had LTVs over 80%.

At a high 34% of loans, exposure to companies active in the real estate/construction sectors was mainly to develop small regional projects of primary residences (43% of the total) and for land financing (33%). At end-Q109, 28% of projects were to be converted into retail mortgages and 42% were about to be finished (above 50% of construction stage). Land financing, which is a source of greater risk due to its longer conversion period amid the falling housing sector, accounted for 11% of loans (52% of which was still in the process to be qualified as urban land). However, some comfort is drawn from the local nature of land financing projects, their comfortable average LTVs (61%) and the small size of each individual project (EUR3m).

At end-Q109, the 20 largest group exposures (including on-/off-balance-sheet credit commitments and equity investments) totalled EUR1,939m, accounting for 179% of Fitch eligible capital (FEC). By economic sector, the 20 largest exposures were to the real estate/construction sectors (65%), food (13%), energy and oil (9%), the public sector (9%) and insurance (4%). Four of these exposures ranged from 10% to 17% of FEC, totalling EUR652m (9% of which in undrawn credit lines) and were to a diversified mining group, two large construction companies active in civil works and Ebro Puleva (a major regional agribusiness). The caja does not participate in syndicated loans for M&A deals in the Spanish real estate sector, which means that the collaterals behind the mortgage are more manageable, helped by the caja's proactive management of these risks. At end-Q109, three of its 20 largest real estate risks (EUR223m) were classified as impaired loans.

Table 4: Asset Quality

	Q109	2008	2007
Loan growth (%)	-2.3 ^a	3.8	12.7
Impaired loans	1,222	1,012	281
Impaired/loans (%)	7.5	6.1	1.8
Loan impairment reserve/loans (%)	3.8	3.3	2.5
Foreclosed assets	285.5	175.4	4.4
Impaired plus Foreclosed Assets/Loans plus foreclosed assets (%)	9.1	7.0	1.8
Net charge-offs/loans (avg.) (%)	0.27	0.12	0.29

^a Growth between end-2008 and end-Q109.

Source: Caja España's data under IFRS

Asset quality indicators deteriorated in 2008 and Q109 due to the abrupt rise in real estate developers facing financial difficulties and/or filing for creditor protection. At end-Q109, the ratio of impaired/total loans was 7.5%, which was above the sector average. However, this ratio was also affected by lower loan growth since Q406, a low share of renegotiated loans during 2008 and the reclassification as “impaired” of EUR197m of performing loans. The latter resulted from a Bank of Spain inspection in 2008, under which it revised the caja’s loan book and identified the most problematic loans. Excluding the EUR197m, impaired/loans would be 6.3%. In addition to its impaired loans, the caja had EUR298m in foreclosed assets at end-Q109 with an appraised market value above this amount.

As part of its close asset quality management, the caja is devoting special attention to potentially problematic loans, particularly from real estate developers, for which it monitors their financial position, pre-sales rates and project development. In Q109 the caja had EUR1.1bn of performing real estate loans (mostly land financing) classified as substandard, for which it allocated EUR108m of precautionary reserves. These loans accounted for 20% of the real estate loan book at end-Q109. Since mid-2007, the recovery process has also been enhanced with the aid of an external lawyer. Some loan refinancing and property repossessions have been done and will continue, alleviating loan impairment requirements.

While asset quality deterioration has been significant in 2008 and Q109, the caja has been adopting a conservative provisioning policy since 2006, thanks to significant capital gains from sales of AFS investments. At end-Q109, loan impairment reserves totalled EUR620m, accounting for 4% of loans, which is above the sector average (around 2.3%). Of total reserves, EUR504m were specific (21% of which substandard) and EUR116m generic.

“Loans and advances to banks” comprised EUR167m of excess liquidity deposited in the European Central Bank (ECB) and EUR679m of reverse repos with major Spanish financial groups. The AFS portfolio has risen since mid-2007 due to further investments in highly rated assets eligible for the ECB and the reclassification of its held-to-maturity government securities as AFS, benefiting from positive revaluation reserves. At end-Q109, AFS fixed-income securities totalled EUR6.5bn and had EUR53m of positive valuation adjustments. Government securities (EUR3.8bn) were partially sold with repo agreements. The private fixed-income portfolio included senior debt (EUR442m, EUR230m of which state-guaranteed) and commercial paper (CP, EUR574m) from Spanish financial groups, and own covered bonds and securitisation bonds (EUR1,745m, EUR471m of which were off-balance-sheet).

Market Risk

Structural balance-sheet risks are monitored with scenario, duration, stress-testing and sensitivity analyses. At end-2008, the caja forecast that a 1% parallel downward (upward) shift in the yield curve, if no corrective action were taken, would mean an 8% rise (6% decline) in its budgeted annual NII. The caja has interest rate floors of over 3% for 42% of the loan book. Market risk from the group’s listed equity portfolio is measured with a VaR model based on a 99% confidence level and one-day holding period. The equity portfolio is also subject to internal global limits.

At end-Q109, equity investments totalled EUR680m, 90% of which was AFS with EUR144m of negative revaluation reserves. The remainder was in equity-accounted associates, mainly in its 50%-owned insurance business (EUR26m) and real estate JVs (EUR21m). At that date, equity stakes represented 58% of FEC. The main AFS stakes are long-term and were in FCC, Spain’s leading diversified construction and services group (EUR74m with EUR68m of negative valuation adjustments); Ebro Puleva (EUR69m); Iberdrola, the second-largest Spanish electricity utility (EUR41m); and Caser, an insurer jointly owned with other cajas (EUR74m).

- Mostly funded by increasing deposits and some balanced wholesale funding instruments
- Comfortable liquidity due to sizeable liquid assets and the state guarantee scheme
- Capital is adequate but necessary for its risk profile

Funding and Capital

Accounting for 47% of total liabilities and equity at end-Q109 (a high 77% of loans), Caja España's main funding source is its customer deposits. These grew a sound 10% yoy in Q109 thanks to its good regional franchise, the clients' shift towards lower-risk deposits rather than off-balance-sheet funds and the caja's efforts to improve its retail deposit base. The latter was mainly from individuals of its home region.

Loan growth in the past few years was funded by diverse wholesale instruments. Since mid-2007, wholesale funding has chiefly been retained to enlarge the share of eligible assets and preserve liquidity. Short-term funding mainly related to repos on government securities, which rose as a substitute for ECB funding and CP. While the caja has extended its CP programme (EUR3bn), CP is limited to the extent that it can be fully offset by available discountable assets.

Table 5: Funding Breakdown

(EURm)	Q109	2008	2007	2006
Customer deposits ^a	11,891.7	11,792.6	10,646.5	10,016.8
Deposits with banks	332.8	14.9	46.6	64.6
Short-term borrowing	4,624.0	4,984.6	4,353.4	4,352.0
Of which commercial paper	228.7	342.6	1,337.2	872.9
Of which repurchase agreements to banks	2,606.5	1,660.7	632.5	1,700.6
Of which repurchase agreements to retail customers	1,788.8	2,379.6	2,305.2	1,729.7
Of which deposits from central banks	0.0	601.7	78.5	48.8
Long-term borrowing	6,009.5	5,882.3	4,814.4	4,004.0
Of which public-sector and mortgage-covered bonds (CH) ^b	4,090.4	3,970.4	2,895.4	2,495.4
Of which Schuldschein deposits	165.0	210.0	210.0	210.0
Of which senior debt (including treasury bonds)	1,450.1	1,475.8	1,475.0	1,081.2
Of which repos from the government-sponsored FAAF	89.0	0.0	0.0	0.0
Of which funds for mediation loans	215.0	226.1	234.0	217.4
Subordinated borrowing ^c	583.7	580.0	373.9	429.1
Total	23,441.7	23,254.4	20,234.8	18,866.5

^a At end-Q109, EUR223m of customer deposits were with asset management companies (EUR234m at end-2008)

^b Around EUR1,382m of end-Q109 covered bonds were retained into its balance sheet as discountable assets

^c At end-Q109, EUR460m of Caja España's subordinated issues were distributed among retail depositors

Source: Caja España's financial data under IFRS

Caja España has ample liquidity, which is controlled weekly by the financial management committee using gap analysis, while assessing compliance with various conservative limits on the level of liquid assets, funding maturities and short-term funding reliance. In terms of medium- to long-term maturities and excluding ECB collaterals, EUR420m is due in 2009 (29% of which distributed to retail clients), EUR712m in 2010 (31% of which to retail clients) and EUR688m in 2011 (15% of which to retail clients). At end-Q109, the portfolio of readily available liquid assets totalled EUR2.9bn (12% of assets) and was mainly in own CH bonds and CP. In Q209, it will continue increasing the portfolio using its own CH bonds. Loan growth in 2009 will be met by deposits and refinancing risks from wholesale funding maturities could be covered via ECB funding and the state guarantee funding scheme, under which it can issue EUR905m. The latter has not been used to date, nor has the caja needed to access the ECB credit facilities for easing refinancing risks.

The caja's regulatory capital is measured with the standardised approach for credit and market risks and the basic indicator approach for operational risk. At end-Q109, its Tier 1 ratio was 7.2% and Total capital ratio 11.9%. At that date, its 7.2% ratio of FEC/risk-weighted assets included EUR150m of preference shares (placed among retail clients) to which Fitch gave 100% equity credit. Capital ratios are adequate, but should be placed in the context of its real estate exposure. As part of Bank of Spain's requirements to comply with Pillar II of Basel II, Caja España undertakes stress-testing analyses to factor the impact of a sharper-than-expected rise in impaired loans on its capital base. Based on its calculations for the worst scenario, Tier 1 ratio should remain above 6% between 2009 and 2011.

CAJA ESPANA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

Income Statement

	31 Mar 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	EURm	EURm	EURm	EURm	EURm
	Original	Original	Original	Original	Original
Income Statement					
Interest Income on Loans	203.2	890.1	741.1	558.0	419.3
Other Interest Income	61.5	225.7	213.3	126.9	121.5
Dividend Income	2.8	26.6	22.2	18.2	19.4
Gross Interest and Dividend Income	267.5	1,142.4	976.6	703.1	560.2
Interest Expense on Customer Deposits	125.9	502.7	374.5	311.1	227.2
Preferred Dividends Paid & Declared	n.a.	n.a.	n.a.	n.a.	n.a.
Other Interest Expense	40.6	232.2	202.5	49.1	8.7
Total Interest Expense	166.5	734.9	577.0	360.2	235.9
Net Interest Income	101.0	407.5	399.6	342.9	324.3
Net Gains (Losses) on Trading and Derivatives	0.8	-1.3	6.6	1.5	3.0
Net Gains (Losses) on Other Securities	12.1	13.1	19.3	14.0	27.8
Net Gains (Losses) on Assets at FV through Income Statement	0.0	-0.1	-0.5	-0.2	0.7
Net Insurance Income	n.a.	n.a.	n.a.	n.a.	n.a.
Net Fees and Commissions	21.2	91.8	97.4	91.5	86.5
Other Operating Income	4.0	22.3	11.1	9.3	7.3
Total Non-Interest Operating Income	38.1	125.8	133.9	116.1	125.3
Personnel Expenses	50.2	207.3	190.3	172.9	163.2
Other Operating Expenses	37.7	125.1	114.7	104.6	100.3
Total Non-Interest Expenses	87.9	332.4	305.0	277.5	263.5
At Equity Profit/ Loss - Operating	-0.6	-7.1	5.7	11.9	4.9
Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.	n.a.
Pre-Impairment Operating Profit	50.6	193.8	234.2	193.4	191.0
Loan Impairment Charge	123.7	172.8	141.4	66.5	61.3
Other Credit Impairment Charges	7.5	7.7	-0.2	-1.0	0.0
Operating Profit	-80.6	13.3	93.0	127.9	129.7
At Equity Profit/ Loss - Non-operating	n.a.	n.a.	n.a.	n.a.	n.a.
Non-recurring Income	107.3	90.0	77.0	49.6	52.4
Non-recurring Expense	3.0	27.0	2.8	n.a.	n.a.
Change in Fair Value of Own Debt	n.a.	n.a.	n.a.	n.a.	n.a.
Other Non-operating Income and Expenses	-6.0	-6.2	7.7	-12.4	-35.8
Pre-tax Profit	17.7	70.1	174.9	165.1	146.3
Taxes	4.8	25.8	26.6	61.0	27.0
Net Income	12.9	44.3	148.3	104.1	119.3
Less: Allocation to Non-controlling Interests	n.a.	0.0	-0.1	-0.1	n.a.
Net Income after Allocation to Non-controlling Interests	12.9	44.3	148.4	104.2	119.3
Profit/Loss from Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
Change in Value of AFS Investments	11.4	-247.1	-21.5	60.4	44.1
Currency Translation Differences	n.a.	n.a.	n.a.	n.a.	1.3
Other OCI Gains/(losses)	n.a.	n.a.	n.a.	n.a.	n.a.
Fitch Comprehensive Income	24.3	-202.8	126.8	164.5	164.7
Memo: Profit Allocation to Non-controlling Interests	n.a.	0.0	-0.1	-0.1	n.a.
Memo: Net Income after Allocation to Non-controlling Interests	12.9	44.3	148.4	104.2	119.3
Memo: Common Dividends Paid & Declared in respect to the Period	3.8	13.0	33.5	28.0	n.a.

CAJA ESPANA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

Assets & Off-Balance Sheet Items

	31 Mar 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	EURm	EURm	EURm	EURm	EURm
	Original	Original	Original	Original	Original
A. Loans					
Residential Mortgage Loans	n.a.	n.a.	n.a.	n.a.	n.a.
Other Consumer/ Retail Loans	n.a.	n.a.	n.a.	n.a.	n.a.
Corporate & Commercial Loans	n.a.	n.a.	n.a.	n.a.	n.a.
Other Loans	16,297.3	16,677.7	16,063.9	14,253.8	11,753.3
Less: Reserves for Impaired Loans/ NPLs	619.1	547.6	402.4	306.6	237.6
Total Loans	15,678.2	16,130.1	15,661.5	13,947.2	11,515.7
Memo: Gross Loans	16,297.3	16,677.7	16,063.9	14,253.8	11,753.3
Memo: Impaired Loans included above	1,221.9	1,011.6	281.0	202.5	99.9
Memo: Loans at Fair Value included above	n.a.	n.a.	n.a.	n.a.	n.a.
B. Other Earning Assets					
Loans and Advances to Banks	1,046.3	980.2	1,375.9	2,302.7	1,990.3
Trading Securities	0.0	0.0	1.5	32.0	25.6
Derivatives	177.0	125.7	36.7	62.8	138.8
Available for Sale Securities	7,093.3	4,537.7	2,608.5	2,000.3	1,712.9
Held to Maturity Securities	0.0	2,031.3	1,745.7	1,754.3	1,778.8
At-equity Investments	67.7	66.2	70.4	47.5	37.7
Other Securities	13.8	13.4	13.2	n.a.	n.a.
Total Securities	7,351.8	6,774.3	4,476.0	3,896.9	3,693.8
Memo: Government Securities included Above	3,775.2	3,335.0	2,962.7	2,790.8	2,675.1
Investments in Property	13.0	12.8	13.3	1.7	n.a.
Insurance Assets	n.a.	n.a.	n.a.	n.a.	n.a.
Other Earning Assets	0.0	0.0	0.0	0.0	0.0
Total Earning Assets	24,089.3	23,897.4	21,526.7	20,148.5	17,199.8
C. Non-Earning Assets					
Cash and Due From Banks	76.0	111.8	87.6	91.3	209.6
Foreclosed Real Estate	285.5	175.4	4.4	4.4	5.7
Fixed Assets	367.8	370.2	355.9	325.2	296.9
Goodwill	0.3	0.3	0.3	1.9	0.3
Other Intangibles	28.3	29.4	20.1	11.6	6.4
Current Tax Assets	68.1	58.3	11.5	21.7	14.4
Deferred Tax	230.0	227.9	159.0	147.3	173.6
Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
Other Assets	150.2	147.2	211.9	185.9	146.3
Total Assets	25,295.5	25,017.9	22,377.4	20,937.8	18,053.0
D. Off-Balance Sheet Items					
Managed Securitized Assets Reported Off-Balance Sheet	25.4	27.2	34.6	43.6	n.a.
Liquidity Lines to SPEs	n.a.	n.a.	n.a.	n.a.	n.a.
Guarantees	662.7	686.6	883.1	898.2	742.0
Acceptances Reported Off-Balance Sheet	n.a.	n.a.	n.a.	n.a.	n.a.
Committed Credit Lines	n.a.	n.a.	n.a.	n.a.	n.a.
Other Contingent Liabilities	2,936.5	3,153.3	3,970.8	2,948.5	2,535.0
Total Business Volume	28,920.1	28,885.0	27,265.9	24,828.1	21,330.0
Memo: Total Weighted Risks	15,073.0	14,948.8	15,972.2	14,737.5	11,895.8

CAJA ESPANA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

Liabilities and Equity

	31 Mar 2009 EURm Original	31 Dec 2008 EURm Original	31 Dec 2007 EURm Original	31 Dec 2006 EURm Original	31 Dec 2005 EURm Original
E. Interest-Bearing Liabilities					
Customer Deposits - Current	n.a.	2,585.6	2,713.7	2,803.7	2,551.0
Customer Deposits - Savings	4,862.2	3,160.9	3,317.7	3,397.7	3,197.7
Customer Deposits - Term	7,029.5	6,046.1	4,615.1	3,815.4	3,210.5
Total Customer Deposits	11,891.7	11,792.6	10,646.5	10,016.8	8,959.2
Deposits from Banks	332.8	14.9	46.6	64.6	398.0
Other Deposits and Short-term Borrowings	4,624.0	4,984.6	4,353.6	4,352.0	3,713.6
Total Deposits, Money Market and Short-term Funding	16,848.5	16,792.1	15,046.7	14,433.4	13,070.8
Long-term Borrowing	5,540.5	5,446.2	4,371.2	3,576.6	2,737.2
Subordinated Borrowing	583.7	580.0	373.9	429.1	366.1
Other Funding	469.0	436.1	444.0	427.4	n.a.
Total Long Term Funding	6,593.2	6,462.3	5,189.1	4,433.1	3,103.3
Derivatives	56.0	38.3	127.2	57.1	9.0
Trading Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
Total Interest Bearing Liabilities	23,497.7	23,292.7	20,363.0	18,923.6	16,183.1
F. Non-Interest Bearing Liabilities					
Fair Value Portion of Debt	n.a.	n.a.	n.a.	n.a.	n.a.
Credit impairment reserves	n.a.	n.a.	n.a.	n.a.	n.a.
Reserves for Pensions and Other	183.1	164.1	173.9	229.9	235.9
Current Tax Liabilities	20.4	21.2	10.1	10.7	0.0
Deferred Taxes	66.0	68.8	96.1	108.4	96.3
Other Deferred Liabilities	n.a.	n.a.	n.a.	n.a.	n.a.
Discontinued Operations	n.a.	n.a.	n.a.	n.a.	n.a.
Insurance	n.a.	n.a.	n.a.	n.a.	n.a.
Other Non-interest Bearing Liabilities	299.6	257.4	281.8	250.6	256.5
Total Liabilities	24,066.8	23,804.2	20,924.9	19,523.2	16,771.8
G. Hybrid Capital					
Pref. Shares and Hybrid Capital accounted for as Debt	0.0	0.0	0.0	0.0	0.0
Pref. Shares and Hybrid Capital accounted for as Equity	150.0	150.0	150.0	210.8	210.8
H. Equity					
Common Equity	1,148.5	1,135.7	1,127.1	1,006.8	933.7
Non-controlling Interest	0.0	0.0	0.3	0.4	0.5
Securities Revaluation Reserves	-60.6	-72.0	175.1	196.6	136.2
Other Accumulated OCI	-9.2	0.0	0.0	0.0	0.0
Total Equity	1,078.7	1,063.7	1,302.5	1,203.8	1,070.4
Total Liabilities and Equity	25,295.5	25,017.9	22,377.4	20,937.8	18,053.0
Memo: Fitch Core Capital	940.4	927.2	1,242.5	1,141.3	989.9
Memo: Fitch Eligible Capital	1,090.4	1,077.2	1,392.5	1,352.1	1,200.7

CAJA ESPANA DE INVERSIONES, CAJA DE AHORROS Y MONTE DE PIEDAD

Summary Analytics

	31 Mar 2009	31 Dec 2008	31 Dec 2007	31 Dec 2006	31 Dec 2005
	EURm	EURm	EURm	EURm	EURm
	Original	Original	Original	Original	Original
Interest Ratios					
Interest Income on Loans/ Average Net Loans	5.00	5.41	4.87	4.29	3.90
Interest Expense on Customer Deposits/ Average Customer Deposits	4.31	4.48	3.65	3.29	2.46
Interest Income/ Average Earning Assets	1.11	5.20	4.68	3.79	3.51
Interest Expense/ Average Interest-bearing Liabilities	2.87	3.42	2.90	2.04	1.54
Net Interest Revenue/ Average Earning Assets	1.71	1.86	1.91	1.85	2.03
Net Int. Inc Less Loan Impairment Charges/ Av. Earning Assets	-0.38	1.07	1.24	1.49	1.65
Other Operating Profitability Ratios					
Non-interest Income/ Gross Revenues	27.39	23.59	25.10	25.29	27.87
Non-Interest Expense/ Gross Revenues	63.19	62.33	57.17	60.46	58.61
Pre-impairment Op. Profit/ Average Equity	19.16	16.73	18.86	17.16	18.97
Pre-impairment Op. Profit/ Average Total Assets	0.82	0.83	1.08	1.00	1.14
Credit Impairment Charges/ Pre-impairment Op. Profit	259.29	93.14	60.29	33.87	32.09
Operating Profit/ Average Equity	-30.52	1.15	7.49	11.35	12.88
Operating Profit/ Average Total Assets	-1.30	0.06	0.43	0.66	0.77
Taxes/ Pre-tax Profit	27.12	36.80	15.21	36.95	18.46
Other Profitability Ratios					
Net Income/ Average Total Equity	1.20	3.82	11.94	9.23	11.85
Net Income/ Average Total Assets	0.21	0.19	0.68	0.54	0.71
Fitch Comprehensive Income/ Average Total Equity	9.20	-17.50	10.21	14.59	16.36
Fitch Comprehensive Income/ Average Total Assets	0.39	-0.87	0.58	0.85	0.98
Net Income/ Av. Total Assets plus Av. Managed Assets	0.10	0.09	0.31	0.25	0.34
Capitalization					
Fitch Eligible Capital/ Regulatory Weighted Risks	7.23	7.21	8.72	9.17	10.09
Tangible Common Equity/ Tangible Assets	4.16	4.14	5.73	5.69	5.89
Tier 1 Regulatory Capital Ratio	7.24	7.46	7.37	7.14	8.80
Total Regulatory Capital Ratio	11.91	12.09	11.23	11.57	11.66
Fitch Eligible Capital/ Tier 1 Regulatory Capital	99.95	96.63	118.34	128.43	114.66
Equity/ Total Assets	4.26	4.25	5.82	5.75	5.93
Cash Dividends Paid & Declared/ Net Income	29.46	29.35	22.59	26.90	n.a.
Cash Dividend Paid & Declared/ Fitch Comprehensive Income	15.64	-6.41	26.42	17.02	n.a.
Net Income - Cash Dividends/ Total Equity	n.a.	2.40	9.54	7.11	n.a.
Loan Quality					
Growth of Total Assets	n.a.	11.80	6.88	15.98	19.04
Growth of Gross Loans	n.a.	3.82	12.70	21.27	22.94
Impaired Loans(NPLs)/ Gross Loans	7.50	6.07	1.75	1.42	0.85
Loan Impairment Reserves/ Gross loans	3.80	3.28	2.50	2.15	2.02
Reserves for Impaired Loans/ Impaired Loans	50.67	54.13	143.20	151.41	237.84
Impaired Loans less Reserves for Imp Loans/ Equity	55.88	43.62	-9.32	-8.65	-12.86
Loan Impairment Charges/ Average Gross Loans	3.04	1.05	0.93	0.51	0.57
Net Charge-offs/ Average Gross Loans	0.27	0.12	0.29	0.10	0.08
Impaired Loans plus Foreclosed Assets/ Gross Loans plus Foreclosed Assets	9.09	7.04	1.78	1.45	0.90
Liquidity					
Loans/ Customer Deposits	137.05	141.43	150.88	142.30	131.19
Loans/ Deposits and Short-term Funding	96.73	99.32	106.76	98.76	89.92
Liquid Assets/ Total Assets	0.00	0.00	0.01	0.15	0.14
Liquid Assets/ Wholesale Funding	0.00	0.00	0.02	0.36	0.36
Wholesale Funding/ Total Funding and Capital	46.08	47.40	44.69	44.36	40.26

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