

## Reduced Funding Risks Lead To Upgrades At Several Spanish Banks

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OVERVIEW

- On March 23, 2018, S&P Global Ratings raised its unsolicited long-term sovereign credit rating on Spain to 'A-' on its continuously strong economic performance, solid current account surplus, and ongoing budgetary consolidation. The outlook is positive.
- We now see the Spanish sovereign as sufficiently strong to be equivalent to other European peers in terms of its ability to act as a potential backstop for the banking system if funding difficulties were to emerge.
- Spanish banks still have to replace their high ECB borrowings, and we expect them to remain structurally more reliant on external funding than peers. However, after substantial deleveraging, their funding profiles are much more balanced, funding costs are at all-time lows, and their access to the external funding markets has been restored.
- We therefore believe that funding risks for the Spanish banking industry have decreased, contributing to an overall easing of industry risks.
- While banks stand to benefit from favorable macroeconomics, they are yet to achieve a quicker reduction in the still-high stock of unproductive problematic assets and stronger profitability.
- We have raised our long- and short-term ratings on four Spanish banks, raised our long-term ratings on another seven banks, and affirmed the remaining four rated institutions.
- The outlooks on the four entities whose ratings we did not raise, as well

as two others, remain positive. The outlooks on the other nine are now stable.

MADRID (S&P Global Ratings) April 6, 2018--S&P Global Ratings today took the following rating actions on Spanish banks:

- Raised our long- and short-term issuer credit ratings on Banco Santander S.A. to 'A/A-1' from 'A-/A-2', raised the long-term rating on its highly strategic subsidiaries Banco Popular Español S.A. and Santander Consumer Finance S.A. to 'A-' from 'BBB+', and affirmed the short-term ratings at 'A-2'. The outlooks on Banco Santander S.A. and Santander Consumer Finance S.A. are stable. The outlook on Banco Popular Español is positive.
- Raised our long-term ratings on Banco Bilbao Vizcaya Argentaria S.A. and its core subsidiary BBVA Global Markets B.V. to 'A-' from 'BBB+'. The outlook on both is stable. We affirmed the short-term ratings at 'A-2'.
- Raised the long-term rating on Caixabank S.A. to 'BBB+' from 'BBB' and affirmed the 'A-2' short-term rating. The outlook is stable.
- Raised the long-term rating on Bankinter S.A. to 'BBB+' from 'BBB' and affirmed the 'A-2' short-term rating. The outlook is stable.
- Raised the long- and short-term ratings on Bankia S.A. to 'BBB/A-2' from 'BBB-/A-3', and those on its holding parent company BFA Tenedora de Acciones S.A.U. to 'BBB-/A-3' from 'BB+/B'. The outlook on both is stable.
- Raised the long- and short-term ratings on Banco de Sabadell S.A. to 'BBB/A-2' from 'BBB-/A-3'. The outlook is stable.
- Raised the long-term ratings on Abanca Corporación Bancaria S.A. to 'BB' from 'BB-' and affirmed the 'B' short-term ratings. The outlook remains positive.
- Affirmed the ratings on Cecabank S.A. at 'BBB/A-2'. The outlook remains positive.
- Affirmed the ratings on Kutxabank S.A. at 'BBB/A-2'. The outlook remains positive.
- Affirmed the ratings on Caja Laboral Popular Cooperativa de Crédito at 'BBB-/A-3'. The outlook remains positive.
- Affirmed the ratings on Ibercaja Banco S.A. at 'BB+/B'. The outlook remains positive.

We also raised our issue ratings on the senior unsecured, senior nonpreferred, subordinated, and preferred debt instruments issued or guaranteed by the entities that we upgraded, except for the short-term debt ratings of entities whose short-term ratings were affirmed.

We also took the following rating actions on the subsidiaries of Santander, SCF, and BBVA:

- Raised the long-term ratings on Santander's U.S. bank subsidiary, Santander Bank N.A., to 'A-' from 'BBB+' and affirmed the 'A-2' short-term rating, reflecting our opinion that the U.S. bank is highly strategic to its parent. The outlook is stable.
- Raised the long-term ratings on Santander's U.S. intermediate holding

company, Santander Holdings USA (SHUSA), to 'BBB+' from 'BBB', and affirmed the 'A-2' short-term rating, in line with a similar upgrade of the group's operating bank, but respecting the one-notch difference to reflect structural subordination. The outlook is stable.

- Raised to 'A-' from 'BBB+' the long-term ratings on German bank Santander Consumer Bank AG, core subsidiary of Santander Consumer Finance S.A. The outlook is stable. We affirmed the short-term ratings at 'A-2'.
- Affirmed the long- and short-term ratings on BBVA's U.S., subsidiary Compass Bank, and its intermediate holding company BBVA Compass Bancshares, at 'BBB+/A-2'.
- Raised the preferred stock rating issued by Compass Loan Holdings (a subsidiary of Compass Bank) to 'BB' from 'BB-', in line with raising the parent's preferred stock rating, as we believe the risk of dividend deferral is equivalent to the risk on the parent's preferred stock.
- Raised the long-term ratings on BBVA's strategic Peruvian subsidiary, BBVA Banco Continental, to 'BBB+' from 'BBB', adding one notch of group support uplift. We affirmed the 'A-2' short-term rating. The outlook is stable.
- Affirmed the 'BBB-' rating on BBVA Banco Continental's nondeferrable subordinated debt, as we consider group support to hybrid instruments uncertain.

#### RATIONALE

The rating actions take into account our view that, after years of meaningful deleveraging, funding risks have reduced for the Spanish banking system. Spanish banks have seen a significant funding rebalancing in the past few years, with retail customer deposits now financing the bulk of their credit operations. Funding costs have reduced to all-time lows and access to external funding markets has been restored, supported by improved investor confidence in the banking system turnaround. While the repayment of still-high European Central Bank (ECB) borrowings remains a challenge, and Spanish banks are likely to remain structurally more reliant than peers on foreign funding, the ongoing strengthening of Spain's creditworthiness provides some comfort. The financially stronger position of the sovereign now renders it equivalent, in our view, to other European peers in terms of its ability to act as backstop for the banking system if funding difficulties arise. Our upgrade of Spain on March 23, 2018, was the third in the last four years.

Our view of the industry risks faced by the Spanish banking industry has improved (to 4 from 5, on a scale of 1-10 with 1 being the lowest risk), as has our overall view of the relative strengths and weaknesses of the Spanish banking system, reflected in our Banking Industry Country Risk Assessment (BICRA) for Spain--now Group 4, from Group 5 previously.

We have revised up our anchor for banks operating primarily in Spain to 'bbb' from 'bbb-', which has led us to upgrade 11 banks. The bank-specific considerations we were monitoring did not prevent these upgrades. For example, with Banco Santander--almost 10 months after its acquisition of Banco Popular--we consider that the integration is progressing as planned. We now

believe that the potential managerial risks posed by the integration of Banco Popular into the group and the likelihood of the bank having to deal with adverse financial ramifications not previously contemplated have diminished. Similarly, we think that the potential risks posed by the Catalonian political crisis to the franchises and financial strength of Caixabank and Sabadell, the two banks most exposed to the region, remain under control. The outlooks are stable on all upgraded banks except Banco Popular and Abanca Corporación Bancaria, which still carry positive outlooks.

We affirmed our ratings on four other, mostly regional and less diversified, banks either because we see them facing more difficulty in significantly improving returns and proving the medium-term profitability of their business models, and enhancing and diversifying their business (Ibercaja and Cecabank); or because we no longer see capital compared to risks as a rating strength (Laboral); or we are uncertain that it will remain a rating strength (Kutxabank). In this last case, we used a negative transition notch to set our rating on the bank below the SACP. The long-term ratings on these four banks, however, still have a positive outlook, reflecting the possibility of upgrades if they manage to deliver on business plans or strengthen balance sheets to offset the inherent weaknesses that stem from their geographic and business concentrations.

As part of our review, and given that our view of the funding position of the Spanish banking system as a whole has strengthened, we also revised to average all our bank-specific funding assessments that we previously placed in the above-average category. That is because we no longer see major structural differences in the funding profiles of Spanish banks to justify above-average assessments, particularly in the context of our overall more positive assessment of funding for the system as a whole. This action had no ratings impact.

The Spanish banking system still faces two main challenges--hastening the reduction of the still-high stock of problematic assets and improving returns. The latter remain below banks' cost of capital, amid still very low rates, muted volume growth, and intense competition.

Strong economic momentum, coupled with the ongoing property market recovery that we now see as being in an expansionary phase, will continue to help banks work-out their problematic exposures as well as boost a resumption of lending and financially strengthen households and corporates. The government also stands to gain policy flexibility in the future. We therefore continue to believe that economic risks could eventually ease further for Spanish banks, but we're not there yet. We would need to see an accelerated reduction of banks' unproductive legacy assets to conclude that economic risks have eased and banks are operating closer to normal. In our view, the banks will achieve this only if they undertake more significant disposals. Recent experience shows that nonperforming asset (NPA) stock will only decline organically by about 1.5%-2.0% of average loans per year, meaning a long road ahead to really leave the problem behind. We estimate that at end-2017 the stock of NPAs was

still 13.5% of loans.

Following today's rating actions, only two of the 15 entities we rate have speculative-grade long-term ratings, while the unweighted-average rating of Spanish banks stands at 'BBB'. Although still below pre-crisis levels, on average current ratings stand two or three notches above their lowest point in the cycle.

#### OUTLOOKS

##### BANCO SANTANDER S.A.: STABLE

The stable outlook on Banco Santander S.A. assumes that the integration of Popular will continue smoothly, with the bank focusing on aligning Popular with the group's operating standards and extracting cost synergies. We expect the bank to continue delivering on its 2016-2018 strategic goals, gradually improving profitability and strengthening capital. Stronger revenues and stable operating and credit costs should support higher bottom-line results in 2018 and 2019, with returns on equity improving to 8.0%-8.5%. We now see the bank's risk-adjusted capital (RAC) ratio increasing to about 7.5% by 2019, thanks to retained profits and further issuance of Additional Tier 1 (AT1) instruments. We have not assumed that the bank would face litigation charges in excess of the contingency provisions created at the time of Popular's acquisition. While asset quality indicators could deteriorate somewhat in some business segments/geographies, overall we expect the group will keep whittling down its stock of NPAs.

Wide geographic diversification will continue to favor the bank, with strong economic momentum in Spain offsetting a potentially less favorable U.K. economy. Political risks in Brazil remain high and we see increasing political uncertainty in Mexico, too, ahead of the presidential elections. We expect the bank will manage through regardless.

Although the bank will continue issuing bailinable instruments to comply with the Jan. 1, 2019 total loss-absorbing capacity requirements, we think it unlikely that the buffer of bailinable debt would reach 400 basis points of its S&P Global Ratings risk-weighted assets, a level that would enable it to benefit from a one-notch rating uplift.

Our base case is that the ratings will not change. However, we could consider taking a positive rating action if the bank shows a stronger build-up of loss-absorbing instruments than we currently expect. Conversely, the ratings could come under pressure if unexpected events undermine the bank's capital position, the bank engages in challenging acquisitions or we lower our sovereign rating on Spain.

##### BANCO POPULAR ESPAÑOL S.A.: POSITIVE

The positive outlook on Banco Popular reflects the possibility that we could raise our ratings on the bank over the next 12-24 months as integration with

Banco Santander progresses, leading us to conclude that the bank has become a core subsidiary and is therefore likely to benefit from financial assistance from the rest of the group under any foreseeable circumstances. Conversely, if we do not see this happen, we would revise the outlook to stable.

SANTANDER CONSUMER FINANCE S.A.: STABLE

The stable outlook on Santander Consumer Finance S.A. (SCF) reflects that on its parent, Banco Santander S.A. As long as we continue to assess SCF as highly strategic to Santander, our ratings on SCF will remain one notch below those on the parent and move in tandem with them.

Although our base-case scenario is for the ratings to remain unchanged, an upgrade of SCF in the next two years could be triggered by a similar action on both the parent and the Spanish sovereign, or by our revision of SCF's status within the group to core. Conversely, we could lower the ratings on SCF following a similar action on the parent, or if we believed that the parent's commitment to SCF had weakened, leading us to revise downward our view of the subsidiary's long-term strategic importance for the Santander group.

SANTANDER CONSUMER BANK AG: STABLE

The stable outlook on SCB mirrors that on its parent SCF, as we expect it to remain a core subsidiary and as such be directly affected by its parent's credit profile strengthening or weakening.

We could raise the ratings on SCB if we upgraded SCF. Conversely, we could lower the ratings on SCB following a similar action on SCF, or if we revised down SCB's core status. We see the latter scenario as remote over the outlook horizon.

SHUSA AND SANTANDER BANK: STABLE

The stable outlooks on SHUSA and Santander Bank mirror the stable outlook on their parent, Banco Santander. We expect that any changes in the ratings on SHUSA and Santander Bank over the next two years will be linked to the ratings on the parent, as long as we consider the U.S. bank highly strategic. The SACP is 'bbb-', reflecting SHUSA's substantial exposure to subprime auto lending, partly offset by its good northeast bank franchise and strong capital ratios.

BANCO BILBAO VIZCAYA ARGENTARIA S.A.: STABLE

Our stable outlook on BBVA reflects our expectation that all factors driving our ratings are unlikely to change over the next 12-24 months. We expect BBVA to continue focusing on developing its strong retail banking franchises in its several countries of operation, aiming at strengthening profitability while pushing for digitalization. We are not factoring in inorganic expansion. We think the bank is well-positioned to accommodate potentially greater uncertainty in Mexico ahead of this year's presidential elections, and in

Turkey, given Spain's good economic momentum.

We expect BBVA's bottom-line profitability to continue recovering, with the Spanish division upping its contribution to group profits thanks primarily to lower operating and credit costs. We believe that the bank's capacity to absorb unexpected losses in a stress scenario will remain a rating strength and expect the bank's RAC ratio to exceed 7% this year. We see the group's asset quality indicators continuing to trend down, with positive developments in Spain offsetting potential deterioration in some Latin American markets. While the bank will gradually issue bailinable debt eligible to absorb losses in a resolution scenario, we don't think its buffer of bailinable instruments will be enough to see the bank benefit from a one-notch rating uplift.

Although we see a rating upgrade over the outlook horizon as unlikely, we could consider it if, contrary to our expectations, the bank builds up a buffer of loss-absorbing instruments in resolution equivalent to 400 basis points of S&P Global Ratings risk-weighted assets, or if it substantially improves its profitability and proves to be an outperformer in its peer group. In either of these scenarios, for the ratings to be raised we would need to have upgraded Spain itself (BBVA and the sovereign are currently at the same rating level) or we would have to be convinced that there is an appreciable likelihood that the bank could meet its obligations in a timely manner in the hypothetical event of a Spanish sovereign default, a condition that BBVA did not previously meet.

Conversely, factors that could lead to a lower rating include a meaningful increase of risks in Mexico or Turkey that would hamper BBVA's financial strength, or us downgrading Spain.

BBVA COMPASS BANCSHARES AND COMPASS BANK: STABLE

The stable outlooks on U.S. intermediate holding company BBVA Compass Bancshares and its main bank, Compass Bank are related to the stable outlook on their parent, BBVA S.A. We are not likely to lower the rating on BBVA Compass over the next two years because it is a highly strategic subsidiary of the parent and the rating is generally set one notch below the parent's group credit profile or at its 'bbb+' SACP. To raise the rating on BBVA Compass one notch to 'A-' we would need to raise the SACP to 'a-' from 'bbb+'. This could occur if the bank demonstrated a track record of improved competitive positions in lending and deposit-gathering and improved earnings while maintaining strong capital and good asset quality. We could raise Compass Loan Holding's preferred stock rating (currently capped at the parent preferred stock rating) if we raise the parent's preferred stock rating.

BBVA BANCO CONTINENTAL: STABLE

The stable outlook mirrors that of the sovereign ratings on Peru and the rating on the parent.

CAIXABANK S.A.: STABLE

The stable outlook reflects that our view of the bank's creditworthiness is unlikely to change in the next 12-24 months. We expect Caixabank to meet the challenges of the political situation in Catalonia, and remain a dominant player in Spain. We also expect the bank to maintain a prudent funding and liquidity profile and continue derisking its balance sheet. Specifically, we expect the workout of NPAs to accelerate, with the bank preserving its better-than-domestic-average asset quality metrics. That said, and despite anticipating that the bank will build up capital organically in a supportive economic environment, we don't think its capital compared to risks would be a rating strength. Finally, we expect Caixabank to continue delivering on the restructuring of Banco BPI S.A., its recently acquired Portuguese operations.

Although unlikely to happen, we could consider a ratings upgrade on Caixabank if we see its capital and profitability strengthening well beyond our expectations, leading to a RAC ratio sustainably above 7%, while at the same time its NPA stock reduces meaningfully.

Conversely, we could lower the ratings on Caixabank if its planned reduction of NPAs slows down and its asset quality metrics align, rather than compare well, with those of domestic peers. We could also take a negative rating action if political tensions in Catalonia persist over an extended period and weigh on its franchise and market position, or on its financial profile.

BANKIA: STABLE

The stable outlook reflects that, despite a potentially more supportive economic environment leading to better capital measures at Bankia, capital strengthening will unlikely be material enough to drive an upgrade over the next 12-24 months.

Our current expectation is that the bank's RAC ratio will improve to around 8.5% by the end of 2019, thanks to both organic capital generation and issuance of hybrid instruments. This forecast also assumes that the gradual privatization of the bank will not meaningfully impair the group's consolidated capitalization. An easing of economic risks in Spain would add about 100 basis points to the bank's RAC ratio. Moreover, we expect Bankia to reduce its NPA ratio to below 10% in the next two years, while improving its recurrent profitability following the integration of recently acquired BMN.

Our base case is for the ratings to remain unchanged. However, we could take a positive rating action if the bank manages to strengthen its RAC ratio sustainably above 10%, while materially improving asset quality metrics. Conversely, we could downgrade Bankia if asset quality metrics start lagging domestic and international peers.

BFA: STABLE



The stable outlook on BFA mirrors that of the group's operating entity, Bankia, as we expect the rating on both the operating and holding company to move in tandem.

SABADELL: STABLE

The stable outlook indicates that we expect our ratings to remain unchanged over the next 12-24 months, even if Spain's economic environment becomes more supportive. In such scenario, the bank's capital measure could strengthen beyond our current expectations, but not enough to become a ratings strength. Our current forecast is that the bank's RAC ratio will improve to around 7.2%-7.5% this year and next, supported by earnings retention. Profitability should also improve moderately on the back of solid fee income growth and lower credit provisions, but will remain below the bank's cost of capital. An easing of economic risks in Spain would add some 60 basis points to our current forecasts.

Our stable outlook also assumes that the bank will continue to actively reduce its stock of NPAs--both nonperforming loans and real estate--which should fall below 8% by end-2019. Despite the less supportive economic environment in the U.K. post the Brexit vote, which could challenge the bank's plans to rapidly develop its U.K. franchise and increase its profit contribution to the group, we don't see it as materially hampering the group's financials. We also expect that the bank will continue to meet the challenges posed by the political situation in Catalonia.

At this stage, we consider an upgrade to be remote. Conversely, we could lower our ratings if, contrary to our expectations, the bank fails to improve its capital and maintain a RAC ratio sustainably above 7% or the balance sheet de-risking process slows substantially. We could also take a negative action if political tensions in Catalonia persist over an extended period and weigh on its franchise and market position, or on its financial profile.

BANKINTER: STABLE

The stable outlook indicates limited likelihood of a rating change over the next 12-24 months, even if Spain's economic risks ease and lead to a strengthening of the bank's capitalization, as the latter would not be material enough for us to consider the bank's capital as strong. Indeed, our base case is that Bankinter's RAC ratio will remain at the lower end of adequate (7%-10%) this year and next. A stronger economic environment would add about 100 basis points to our RAC forecasts. We also expect that Bankinter will maintain conservative underwriting standards while expanding its loan book, will successfully develop its Portuguese activities, and will contain its reliance on short-term wholesale financing.

At this stage, we consider an upgrade to be remote. Having said that, we could consider it if, contrary to our base case, Bankinter's solvency strengthened materially, supporting a RAC ratio sustainably above 10% over our two-year

timeframe. Conversely, we could lower our ratings if Bankinter's risk appetite increases as it maintains steady loan growth or its funding profile relies more heavily on short-term sources.

**CECABANK: POSITIVE**

The positive outlook on Cecabank reflects the possibility that we could raise our long-term rating within the next 12-24 months if:

- Cecabank proves able to strengthen its franchise and grow and diversify its business further.
- Cecabank maintains robust capitalization, a RAC ratio sustainably above 15%, while preserving its risk profile, counterbalancing its concentrated business model. Capital could strengthen further if our assessment of economic risks for the Spanish banking system were to improve.

We could revise the outlook to stable if the above looked unlikely to come to fruition.

**KUTXABANK: POSITIVE**

The positive outlook on Kutxabank reflects the possibility of an upgrade over the next 12-24 months if the bank remains solidly capitalized compared to the risks it faces. This could happen if:

- The organic reduction of its NPA stock and additional disposals of noncore equity stakes, coupled with a further easing of economic risks in Spain, push the bank's RAC ratio sustainably above 10%, from our current estimate of 8% at end-2017; or,
- The bank accelerates the reduction of its stock of NPAs through opportunistic sales so that its asset quality indicators continue comparing well with those of peers, rather than actually converging to the industry average. Our base case is that the bank's NPAs will account for 8% of loans at end-2019.

Our positive outlook also assumes that the bank will maintain stricter risk controls and a clearer strategic focus compared with peers, and that profitability will improve moderately thanks to fee-related business and contained costs. Still, we forecast the bank to post only mid-single digit return-on-equity this year and next.

Conversely, we could revise the outlook to stable if:

- Kutxabank's capitalization looks unlikely to strengthen enough.
- The bank fails to significantly de-risk its balance sheet and to maintain better-than-peers asset quality metrics.
- The bank engages in acquisitions that could impair its financial profile or represent a managerial challenge, or
- The bank's business model proves insufficiently profitable.

CAJA LABORAL: POSITIVE

The positive outlook on Caja Laboral reflects the possibility that we could raise our ratings within the next 12-24 months if, in the context of a further easing of economic risks in Spain, Caja Laboral exhibits a clear capital strength, which would help it offset the risks emanating from its inherently concentrated business model, while preserving the value of its franchise. This would imply achieving and sustaining a RAC ratio above 10%.

Our positive outlook also assumes that Caja Laboral will maintain its currently prudent strategy and that the bank will remain primarily retail-funded. We also expect the bank's currently better-than-peers' asset quality measures to gradually converge to the industry average. In particular, we forecast that its NPAs will fall to about 7% of gross loans by end-2019. Over the outlook horizon, we expect the bank's profitability to stand below its cost of capital, with return on equity hovering around 5.0%-5.5%.

We could revise the outlook to stable if, contrary to our expectations, we don't see prospects of the economic environment in Spain becoming more supportive for banks, rendering a material enough capital strengthening unlikely.

IBERCAJA: POSITIVE

The positive outlook on Ibercaja reflects the possibility that we could raise our ratings in the next 12 months if the entity delivers on its strategic targets and manages to turn around its still-weak underlying profitability or if it strengthens its capital, thereby offsetting its comparatively limited business and geographical diversification. The bank's new strategic plan contemplates an improvement of the bank's return on tangible equity to above 9.0% by 2020 from the 5.3% reported at end-2017.

We currently expect the bank's RAC ratio will be about 6% by end-2019, but it could strengthen by an additional 70 basis points if Spain's economic risks ease further. We expect Ibercaja to reduce its problem assets to 10% of gross loans by 2019.

If Ibercaja's creditworthiness were to improve, we could raise our ratings on the bank's AT1 preferred securities by two notches, rather than one, owing to the bank's transition to investment grade.

We could revise the outlook to stable if we anticipate that Ibercaja is going to fail to significantly improve its returns, if it engages in acquisitions that impair its financial profile, or we no longer see a chance of risks in Spain's economic environment easing.

ABANCA: POSITIVE

The positive outlook on Abanca reflects the possibility that we could raise

our long-term rating in the next 12 months if:

- The bank succeeds in delivering on its business plan and sustainably improves its operating profitability, or
- Its capitalization further strengthens, more likely in the context of an easing of the economic risks faced by Spanish banks, such that we were to conclude that its capital vis-à-vis its risks is no longer a rating weakness.

The positive outlook also assumes that Abanca will continue to reduce its portfolio of NPAs, while keeping adequate coverage levels. In particular, we forecast that the bank's NPAs will fall to about 6.0%-6.5% of gross loans by end-2019.

We could revise the outlook to stable if we anticipate that:

- Abanca will fail to further deliver on its strategic plan and sustainably improve its returns;
- It engages in acquisitions that impair its financial profile or pose managerial challenges;
- We don't see prospects of the economic environment in Spain becoming more supportive for banks and therefore of Abanca's capitalization becoming adequate (its RAC ratio sustainably exceeding 7%); or
- Abanca were to face difficulties in financing new lending with stable funding sources and this offsets the benefits of a potential capital strengthening or profitability turnaround.

#### BICRA SCORE SNAPSHOT FOR SPAIN

	To	From
BICRA Group	4	5
Economic Risk	5	5
Economic resilience	Intermediate Risk	Intermediate Risk
Economic imbalances	Intermediate Risk	Intermediate Risk
Credit risk in the economy	High Risk	High Risk
Industry Risk	4	5
Institutional framework	Intermediate Risk	Intermediate Risk
Competitive dynamics	Intermediate Risk	Intermediate Risk
Systemwide funding	Intermediate Risk	High Risk
Trends		
Economic risk trend	Positive	Positive
Industry risk trend	Stable	Positive

**Table 1**

Rating Score Snapshots	
To	From
<b>Banco Santander S.A.</b>	

**Table 1**

**Rating Score Snapshots (cont.)**

	<b>To</b>	<b>From</b>
Issuer Credit Rating	A-/Stable/A-1	A-/Stable/A-2
SACP	a	a-
Anchor	bbb	bbb-
Business Position	Very strong (+2)	Very strong (+2)
Capital and Earnings	Adequate (0)	Moderate (-1)
Risk Position	Strong (+1)	Very strong (+2)
Funding and Liquidity	Average/Adequate (0)	Above Average/ Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

**Santander Consumer Finance S.A.**

Issuer Credit Rating	A-/Stable/A-2	BBB+/Stable/A-2
SACP	bbb	bbb-
Anchor	bbb+	bbb
Business Position	Moderate (-1)	Moderate (-1)
Capital and Earnings	Strong (+1)	Adequate (0)
Risk Position	Moderate (-1)	Adequate (0)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	+2	+2
GRE Support	0	0
Group Support	+2	+2
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

**Banco Bilbao Vizcaya Argentaria, S.A.**

Issuer Credit Rating	A-/Stable/A-2	BBB+/Positive/A-2
SACP	a-	bbb+
Anchor	bbb	bbb-
Business Position	Strong (+1)	Strong (+1)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Strong (+1)	Strong (+1)
Funding and Liquidity	Average/Adequate (0)	Above Average/ Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0

**Table 1**

<b>Rating Score Snapshots (cont.)</b>		
	<b>To</b>	<b>From</b>
Additional Factors	0	0
<b>CaixaBank S.A.</b>		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
SACP	bbb+	bbb
Anchor	bbb	bbb-
Business Position	Strong (+1)	Strong (+1)
Capital and Earnings	Moderate (-1)	Moderate (-1)
Risk Position	Strong (+1)	Strong (+1)
Funding and Liquidity	Average/Adequate (0)	Above Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Bankinter S.A.</b>		
Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
SACP	bbb+	bbb
Anchor	bbb	bbb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Strong (+1)	Strong (+1)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Bankia S.A.</b>		
Issuer Credit Rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb	bbb-
Anchor	bbb	bbb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0

**Table 1**

<b>Rating Score Snapshots (cont.)</b>		
	<b>To</b>	<b>From</b>
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Banco de Sabadell S.A.</b>		
Issuer Credit Rating	BBB/Stable/A-2	BBB-/Positive/A-3
SACP	bbb	bbb-
Anchor	bbb	bbb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Kutxabank S.A.</b>		
Issuer Credit Rating	BBB/Positive/A-2	BBB/Positive/A-2
SACP	bbb+	bbb
Anchor	bbb	bbb-
Business Position	Adequate (0)	Adequate (0)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Strong (+1)	Strong (+1)
Funding and Liquidity	Average/Adequate (0)	Above Average/ Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	-1	0
<b>Cecabank S.A.</b>		
Issuer Credit Rating	BBB/Positive/A-2	BBB/Positive/A-2
SACP	bbb	bbb
Anchor	bbb	bbb-
Business Position	Moderate (-1)	Adequate (0)
Capital and Earnings	Strong (+1)	Strong (+1)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0

**Table 1**

<b>Rating Score Snapshots (cont.)</b>		
	<b>To</b>	<b>From</b>
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Caja Laboral Popular Cooperative de credito</b>		
Issuer Credit Rating	BBB-/Positive/A-3	BBB-/Positive/A-3
SACP	bbb-	bbb-
Anchor	bbb	bbb-
Business Position	Moderate (-1)	Moderate (-1)
Capital and Earnings	Adequate (0)	Adequate (0)
Risk Position	Adequate (0)	Strong (+1)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Ibercaja Banco S.A.</b>		
Issuer Credit Rating	BB+/Positive/B	BB+/Positive/B
SACP	bb+	bb+
Anchor	bbb	bbb-
Business Position	Moderate (-1)	Adequate (0)
Capital and Earnings	Moderate (-1)	Moderate (-1)
Risk Position	Adequate (0)	Adequate (0)
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0
<b>Abanca Corporación Bancaria S.A.</b>		
Issuer Credit Rating	BB/Positive/B	BB-/Positive/B
SACP	bb	bb-
Anchor	bbb	bbb-
Business Position	Weak (-2)	Weak (-2)
Capital and Earnings	Moderate (-1)	Moderate (-1)
Risk Position	Adequate (0)	Adequate (0)



**Table 1**

Rating Score Snapshots (cont.)		
	To	From
Funding and Liquidity	Average/Adequate (0)	Average/Adequate (0)
Support	0	0
GRE Support	0	0
Group Support	0	0
ALAC Support	0	0
Sovereign Support	0	0
Additional Factors	0	0

RELATED CRITERIA

- Criteria - Financial Institutions - General: Risk-Adjusted Capital Framework Methodology, July 20, 2017
- General Criteria: Methodology For Linking Long-Term And Short-Term Ratings , April 7, 2017
- General Criteria: Guarantee Criteria, Oct. 21, 2016
- Criteria - Financial Institutions - Banks: Bank Rating Methodology And Assumptions: Additional Loss-Absorbing Capacity, April 27, 2015
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- General Criteria: Group Rating Methodology, Nov. 19, 2013
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- General Criteria: Criteria For Assigning 'CCC+', 'CCC', 'CCC-', And 'CC' Ratings, Oct. 1, 2012
- Criteria - Financial Institutions - Banks: Banks: Rating Methodology And Assumptions, Nov. 9, 2011
- Criteria - Financial Institutions - Banks: Banking Industry Country Risk Assessment Methodology And Assumptions, Nov. 9, 2011
- General Criteria: Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Criteria - Financial Institutions - Banks: Commercial Paper I: Banks, March 23, 2004

RELATED RESEARCH

- Spain Long-Term Ratings Raised To 'A-' On Economic Growth And Budgetary Consolidation; Outlook Positive, March 23, 2018
- S&P Global Ratings To Assess Credit Impact On Spanish Banks Of Upgrading Spain, March 23, 2018
- The Picture Should Brighten Further For Spain's Banking Sector This Year, Feb. 21, 2018
- Banking Industry Country Risk Assessment: Spain, Dec. 14, 2017

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RATINGS LIST

Upgraded

	To	From
Banco Santander S.A. Issuer Credit Rating	A-/Stable/A-1	A-/Stable/A-2

Upgraded; Ratings Affirmed

	To	From
Banco Popular Espanol S.A. Issuer Credit Rating	A-/Positive/A-2	BBB+/Positive/A-2

Santander Consumer Finance S.A.  
Santander Consumer Bank AG  
Issuer Credit Rating

A-/Stable/A-2	BBB+/Stable/A-2
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Santander Holdings U.S.A Inc.  
Issuer Credit Rating

BBB+/Stable/A-2	BBB/Stable/A-2
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Santander Bank, N.A.  
Issuer Credit Rating

A-/Stable/A-2	BBB+/Stable/A-2
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Upgraded; Outlook Action; Ratings Affirmed

	To	From
Banco Bilbao Vizcaya Argentaria S.A. BBVA Global Markets B.V. Issuer Credit Rating	A-/Stable/A-2	BBB+/Positive/A-2

BBVA Banco Continental  
Issuer Credit Rating

BBB+/Stable/A-2	BBB/Positive/A-2
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Ratings Affirmed

BBVA Compass Bancshares, Inc.  
Compass Bank  
Issuer Credit Rating

BBB+/Stable/A-2
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Upgraded; Outlook Action; Ratings Affirmed

	To	From
CaixaBank S.A. Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2

Upgraded; Outlook Action

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	To	From
Bankia S.A. Issuer Credit Rating	BBB/Stable/A-2	BBB-/Positive/A-3
BFA Tenedora de Acciones, S.A.U. Issuer Credit Rating	BBB-/Stable/A-3	BB+/Positive/B
Upgraded; Outlook Action		
	To	From
Banco de Sabadell S.A. Issuer Credit Rating	BBB/Stable/A-2	BBB-/Positive/A-3
Upgraded; Outlook Action; Ratings Affirmed		
	To	From
Bankinter S.A. Issuer Credit Rating	BBB+/Stable/A-2	BBB/Positive/A-2
Affirmed		
Cecabank S.A. Issuer Credit Rating	BBB/Positive/A-2	
Kutxabank S.A. Issuer Credit Rating	BBB/Positive/A-2	
Caja Laboral Popular Cooperativa de Credito Issuer Credit Rating	BBB-/Positive/A-3	
Ibercaja Banco S.A. Issuer Credit Rating	BB+/Positive/B	
Upgraded; Ratings Affirmed		
	To	From
Abanca Corporacion Bancaria S.A Issuer Credit Rating	BB/Positive/B	BB-/Positive/B

NB. This list does not contain all ratings affected.

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