

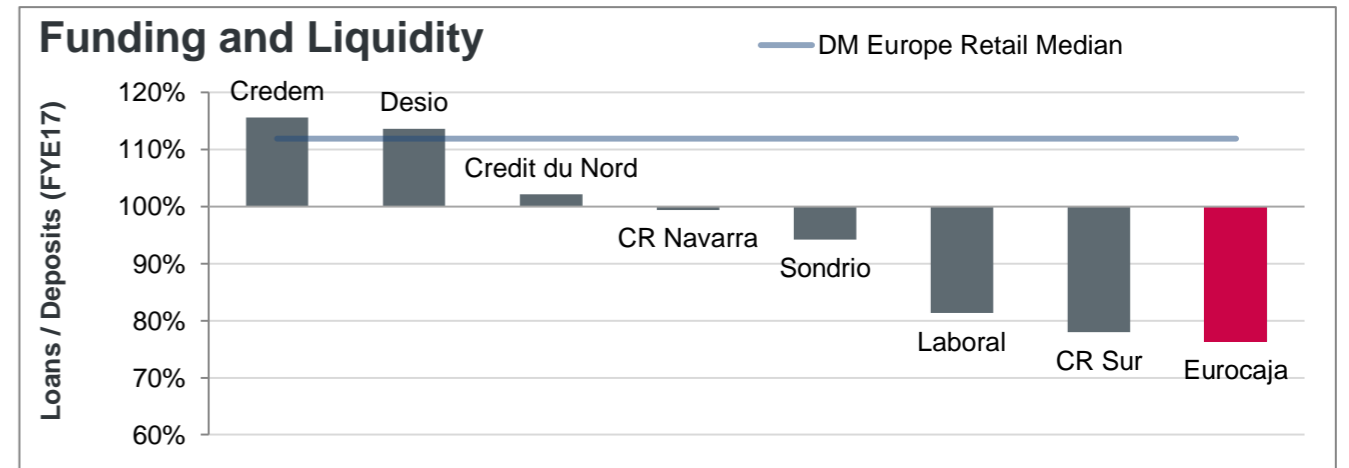
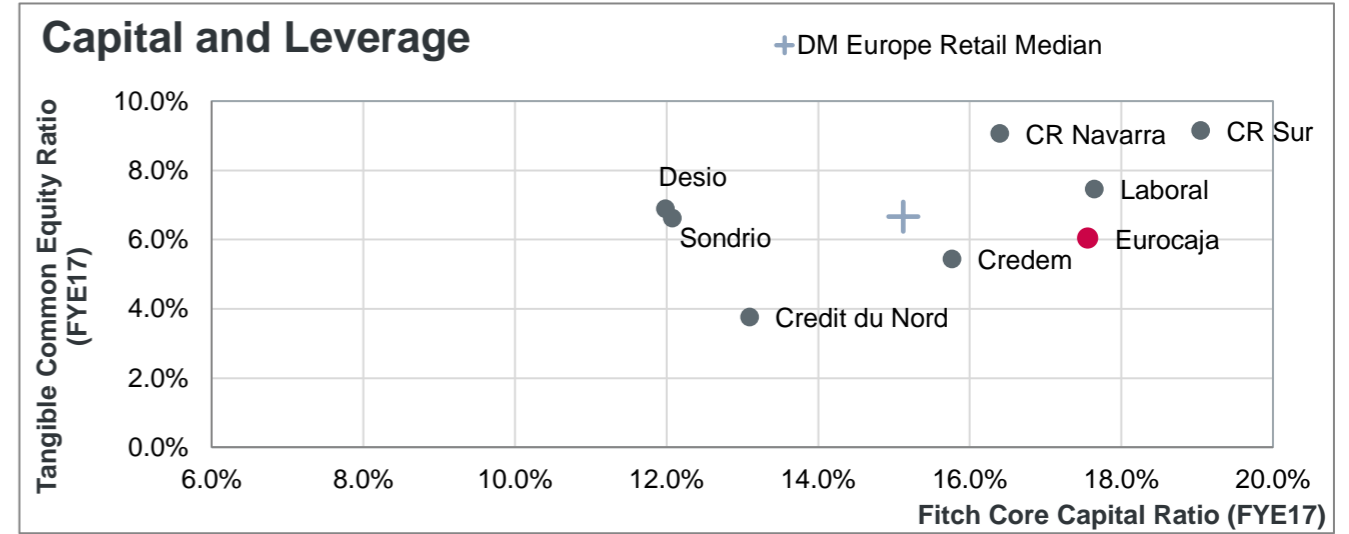
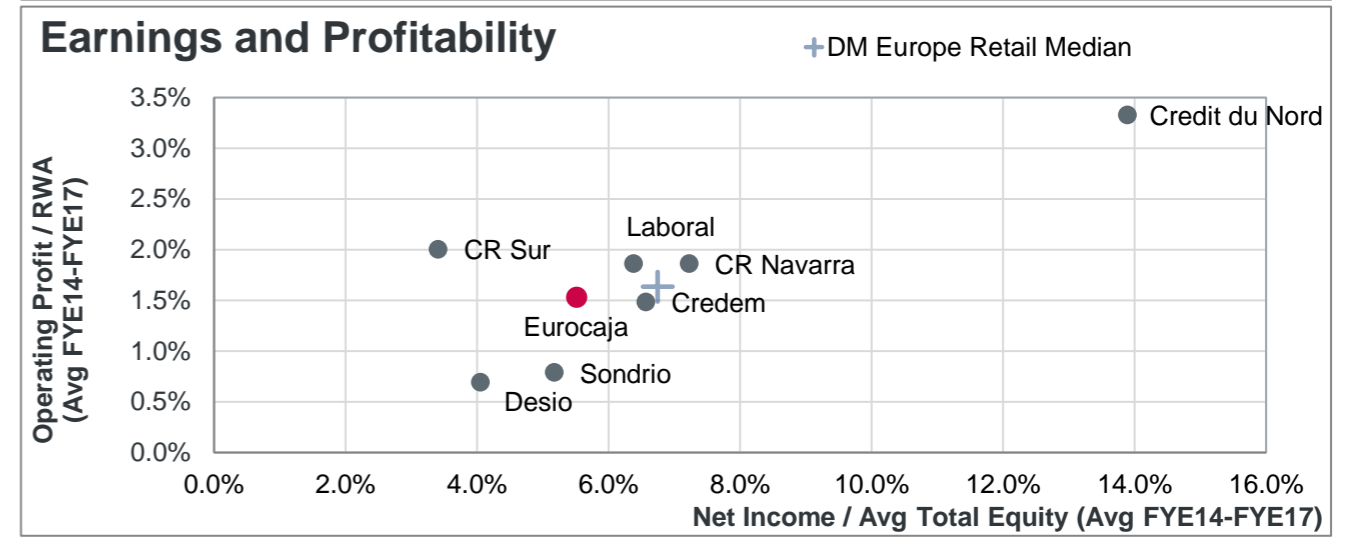
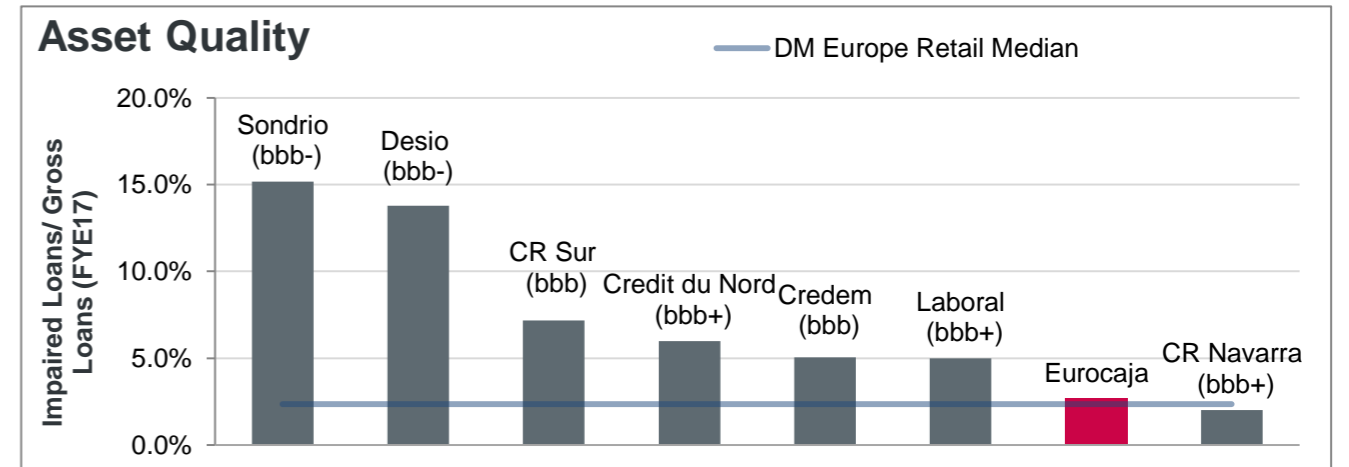
Banks Ratings Navigator		
Navigator date:	08 Aug 2018	
Last rating action:	26 Jul 2018	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Spain	
Country IDR:	A- Stable	
Last action:	13 Jul 18 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	bbb	
Bank Rating History		
Viability Rating (VR)		
26 Jul 18	bbb	Affirmed
17 Oct 17	bbb	Affirmed
21 Oct 16	bbb	Affirmed
Issuer Default Rating (IDR)		
26 Jul 18	BBB Stable	Affirmed
17 Oct 17	BBB Stable	Affirmed
21 Oct 16	BBB Stable	Affirmed
Support Rating Floor (SRF)		
26 Jul 18	NF	Affirmed
17 Oct 17	NF	Affirmed
21 Oct 16	NF	Affirmed
Bar Chart Legend:		
Vertical bars = VR range of Rating Factor		
Bar Colors = Influence on final VR		
■	Higher Influence	
■	Moderate Influence	
■	Lower Influence	
Bar Arrows = Rating Factor Outlook		
↑	Positive	↓ Negative
↕	Evolving	□ Stable
Peer Ratings bars = Count of banks		
69	DM Europe Retail	
11	Spain Retail	
Relevant Criteria & References		
Bank Rating Criteria (Jun 2018)		
Macro-Prudential Risk Monitor (Mar 2018)		
Analysts		
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Peer Ratings	Operating Environment	Company Profile	Management & Strategy	Risk Appetite	Financial Profile				Viability Rating	Support Rating Floor	Issuer Default Rating
					Asset Quality	Earnings & Profitability	Capitalisation & Leverage	Funding & Liquidity			
aaa									aaa	AAA	AAA
aa+									aa+	AA+	AA+
aa									aa	AA	AA
aa-									aa-	AA-	AA-
a+									a+	A+	A+
a									a	A	A
a-									a-	A-	A-
bbb+									bbb+	BBB+	BBB+
bbb									bbb	BBB	BBB Stable
bbb-									bbb-	BBB-	BBB-
bb+									bb+	BB+	BB+
bb									bb	BB	BB
bb-									bb-	BB-	BB-
b+									b+	B+	B+
b									b	B	B
b-									b-	B-	B-
ccc+									ccc+	CCC+	CCC+
ccc									ccc	CCC	CCC
ccc-									ccc-	CCC-	CCC-
cc									cc	CC	CC
c									c	C	C
f									f	NF	D or RD

Support Rating Floor	Value		
Typical D-SIB SRF for sovereign's rating level (assuming high propensity)	BBB+ or BBB		
Actual country D-SIB SRF	NF		
Support Rating Floor:	NF		
Support Factors	Positive	Neutral	Negative
Sovereign ability to support system			
Size of banking system relative to economy			✓
Size of potential problem		✓	
Structure of banking system		✓	
Liability structure of banking system		✓	
Sovereign financial flexibility (for rating level)		✓	
Sovereign propensity to support system			
Resolution legislation with senior debt bail-in			✓
Track record of banking sector support		✓	
Government statements of support		✓	
Sovereign propensity to support bank			
Systemic importance			✓
Liability structure of bank		✓	
Ownership		✓	
Specifics of bank failure		✓	
Policy banks			
Policy role			
Funding guarantees and legal status			
Government ownership			

Drivers & Sensitivities	
Sound Asset Quality; Subdued Profitability	Eurocaja's ratings reflect its significantly better-than-sector average asset-quality metrics, satisfactory capitalisation and sound funding. They also factor in its subdued profitability, above-peers exposure to Spain's sovereign, its sound but concentrated franchise and small equity size.
Prudent Stance Towards Credit Risk	Eurocaja's asset quality benefits from its prudent stance towards credit risk, as reflected in its exceptionally well performing mortgage loan book and low exposure to real-estate developers. The metrics are supported by selected high-quality loan portfolio acquisitions in the past.
Low Capital Encumbrance	Eurocaja's problem assets ratio (NPLs and foreclosed assets) was low at 3.3% at end-2017. NPLs were fully covered by reserves. As a result, capital at risk from unreserved problem assets was very low at 3%, mitigating risks from asset-quality shocks. Risk-weighted capital ratios are sound.
Large Debt Securities Portfolio	Eurocaja's large exposure to Spanish sovereign debt allows it to generate revenue and compensate for its low-yield mortgage business, but it exposes the bank to market risk. Profitability should benefit from increased commission income and some lending growth in higher-yielding segments.
Adequate Funding	Eurocaja's ample and granular retail deposit base fully funds its loan book. The bank also makes extensive use of wholesale funding mostly in the form of repos, covered bonds and ECB funding to fund carry-trade activities. The bank's liquidity position is comfortable.
Improved Earnings; Reduced Risk Concentration	An upgrade would be contingent on meaningful improvement of core banking profitability combined with reduced risk concentration from the bank's securities portfolio. In the long term, a strengthening of the bank's franchise and business model could be rating positive.
Downgrade Pressure not Expected	A downgrade could be triggered by an unexpected deterioration in asset quality, increased market risk appetite as a measure to offset low margins or a deterioration of the bank's capitalisation, although Fitch does not expect this.

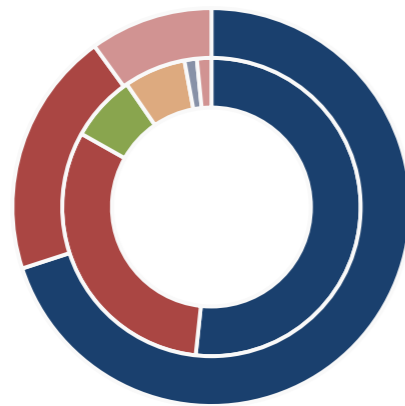
Key Financial Ratios (27 Jul 2018)	Eurocaja				Direct Peers Median				Region Sector Median				
	Number of Banks: 8				8				8				
	Statement: FYE17 FYE16 FYE15 FYE14				FYE17 FYE16 FYE15 FYE14				FYE17 FYE16 FYE15 FYE14				
Size (EURm)													
Total assets	7,367	7,094	7,352	6,669	18,216	16,840	16,917	18,644	41,046	39,166	38,864	36,678	
Risk weighted assets (RWA)	2,525	2,441	2,480	2,531	8,377	8,648	8,852	9,090	14,436	13,458	13,717	16,102	
Total equity	444	434	383	384	1,408	1,366	1,301	1,259	2,667	2,474	2,468	2,253	
Fitch core capital (FCC)	443	433	374	382	1,300	1,256	1,180	1,164	2,433	2,012	2,084	2,049	
Asset Quality													
Impaired loans/gross loans	2.7%	3.2%	3.2%	3.4%	5.5%	6.3%	7.1%	7.8%	2.3%	3.5%	3.4%	4.0%	
Growth of gross loans	12.4%	6.3%	3.5%	17.2%	4.0%	3.7%	2.3%	0.7%	2.6%	1.9%	0.9%	1.8%	
Loan loss allowances/impaired loans	109.5%	100.8%	109.7%	109.3%	56.6%	56.1%	57.6%	57.1%	52.3%	49.5%	54.7%	54.2%	
Loan impairment charges/avg gross loans	0.3%	0.2%	0.2%	0.9%	0.3%	0.2%	0.6%	0.9%	0.2%	0.1%	0.4%	0.4%	
Earnings and Profitability													
Operating profit/risk weighted assets	1.7%	1.8%	1.6%	1.0%	1.6%	1.9%	1.7%	1.3%	1.7%	1.8%	1.7%	1.4%	
Net interest income/average earning assets	1.2%	1.2%	1.3%	1.6%	1.5%	1.5%	1.6%	1.7%	1.6%	1.5%	1.6%	1.6%	
Non-interest expense/gross revenues	56.8%	58.7%	59.7%	59.6%	60.4%	62.3%	56.6%	55.1%	61.4%	64.0%	61.7%	60.3%	
Loans & secs imp charges/pre-imp op. profit	17.8%	9.5%	15.1%	48.7%	22.0%	13.2%	31.0%	47.7%	9.7%	12.9%	20.2%	32.8%	
Operating profit/average total assets	0.6%	0.6%	0.6%	0.4%	0.6%	0.7%	0.7%	0.6%	0.7%	0.6%	0.7%	0.6%	
Net income/average total equity	5.7%	5.6%	5.7%	5.1%	6.3%	5.5%	6.0%	5.9%	7.4%	6.5%	6.9%	6.1%	
Capital and Leverage													
FCC/FCC-adjusted risk weighted assets	17.6%	17.7%	15.1%	15.1%	16.1%	15.4%	14.9%	12.9%	15.1%	15.4%	14.9%	13.8%	
CET1 capital ratio	17.0%	16.0%	13.6%	12.2%	14.8%	14.8%	13.7%	11.7%	14.8%	15.0%	13.8%	12.8%	
Basel leverage ratio	n.a.	n.a.	n.a.	n.a.	5.8%	6.2%	6.4%	5.7%	6.2%	6.1%	5.9%	5.6%	
Tangible common equity/tangible assets	6.0%	6.1%	5.1%	5.7%	6.7%	7.2%	7.4%	6.7%	6.7%	6.6%	6.5%	6.0%	
Imp loans less loan loss allowances/FCC	-2.0%	-0.2%	-2.5%	-2.4%	24.1%	29.1%	30.6%	34.7%	10.0%	12.6%	14.2%	19.2%	
Funding and Liquidity													
Loans/customer deposits	76.3%	71.4%	68.6%	73.5%	96.9%	99.2%	100.9%	101.5%	112.0%	108.9%	107.8%	108.2%	
Liquidity coverage ratio	821.3%	1132.9%	1053.2%	n.a.	195.0%	211.0%	226.5%	179.0%	169.5%	160.5%	151.0%	159.0%	
Customer deposits/total funding excl derivs	68.5%	67.9%	63.3%	63.5%	73.2%	75.5%	74.2%	67.3%	73.2%	77.5%	74.0%	71.8%	



Business Mix

(by profit or revenue)

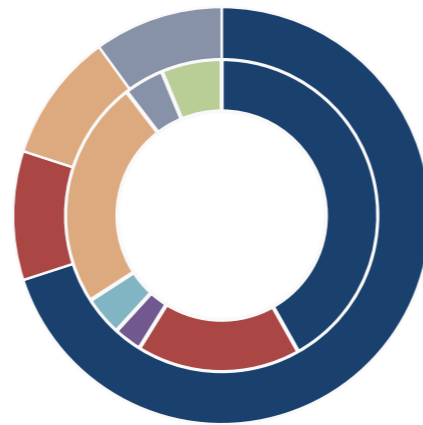
- Retail banking (70%)
- SME banking (20%)
- Corporate banking (0%)
- Investment banking (0%)
- Transaction banking (0%)
- Asset management (0%)
- Insurance (0%)
- Other (10%)



Outer: Eurocaja
Inner: Direct Peers Average

Lending Type

- Resi mortgages (70%)
- Comm mortgages (10%)
- Asset finance (0%)
- Other secured (0%)
- Personal unsecured (0%)
- Comm unsecured (10%)
- Fls & Sovs (10%)
- High yield (0%)
- Other unsecured (0%)



Outer: Eurocaja
Inner: Direct Peers Average

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