



Banks Ratings Navigator		
Navigator date:	July 2019	
Last rating action:	16 Jul 2019	
Sector Details:		
Bank sector:	Retail	
Region:	DM Europe	
Country:	Spain	
Country IDR:	A- Stable	
Last action:	21 Jun 19 Affirmed	
Country ceiling:	AAA	
Macro prudential indicator:	1	
Bank systemic indicator:	bbb	
Bank Rating History		
Viability Rating (VR)		
16 Jul 19	bbb	Affirmed
26 Jul 18	bbb	Affirmed
17 Oct 17	bbb	Affirmed
Issuer Default Rating (IDR)		
16 Jul 19	BBB Stable	Affirmed
26 Jul 18	BBB Stable	Affirmed
17 Oct 17	BBB Stable	Affirmed
Support Rating Floor (SRF)		
16 Jul 19	NF	Affirmed
26 Jul 18	NF	Affirmed
17 Oct 17	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	
12	Spain Retail	
Relevant Criteria & References		
Bank Rating Criteria (Oct 2018)		
Macro-Prudential Risk Monitor (Apr 2019)		
Short-Term Ratings Criteria (May 2019)		
Analysts		
Fernando Sanchez (+34 91 076 1987)		
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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
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	
Resilient Asset Quality; Concentrated Franchise	Eurocaja's ratings reflect its resilient asset-quality metrics, sound capital position, and comfortable funding and liquidity. They also reflect its geographically concentrated franchise, modest profitability, large exposure to Spain's sovereign debt and a small equity base.
Better-than-Peers Asset Quality	Asset-quality indicators have been stable and stronger than peers' through the cycle. At end-2018, Eurocaja's problem asset ratio (Stage 3 loans and foreclosed assets) was close to 3% (down from 3.3% at end-2017), below domestic and many international peers.
Large Exposure to Sovereign Debt	A high NPL coverage ratio (124% at end-2018) protects Eurocaja from asset-quality and collateral valuation shocks. Its exposure to Spanish sovereign debt, while declining, is high, generating counterparty risk concentration and exposing the bank to market risks.
Satisfactory Capital Buffers, Small Equity Base	Eurocaja maintains satisfactory capital buffers above regulatory requirements. At end-2018, its fully loaded CET1 ratio was 17.1%. Capital was fully protected from unreserved problem assets at end-2018, mitigating risks from a small equity base.
Modest Profitability	Profitability is modest due to fairly large low-risk/low-yield retail mortgage portfolio and low interest rates and interest income was not fully compensated by the significant contribution of the securities portfolio. We expect profitability to remain modest but resilient due to lower impairment charges.
Comfortable Liquidity Position	Eurocaja fully funds its loans with a large, granular deposit base and uses wholesale funding to fund its securities portfolio. The bank's liquidity position is more than adequate to cover short-term liabilities, reflected in a solid liquidity coverage ratio of 481% at end-1Q19.
Rating Upside Limited	A ratings upgrade would require a meaningful and sustained improvement in core banking profitability, combined with a strengthening of its franchise and business model.
Asset Quality, Capital	Negative rating pressure could arise from a sharp deterioration in asset quality, increased risk appetite as a measure to offset low margins, or a deterioration of the bank's capitalisation, which we view as unlikely.

Credit-Relevant ESG Derivation

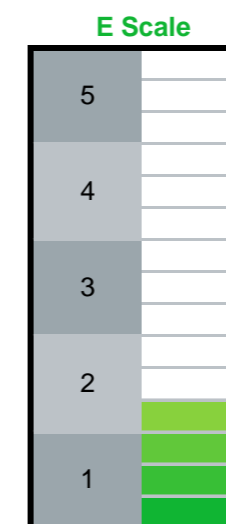
Eurocaja Rural, Sociedad Cooperativa De Credito has 5 ESG potential rating drivers

- ➔ Eurocaja Rural, Sociedad Cooperativa De Credito has exposure to compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security) but this has very low impact on the rating.
- ➔ Governance is minimally relevant to the rating and is not currently a driver.

			Overall ESG Scale	
key driver	0	issues	5	
driver	0	issues	4	
potential driver	5	issues	3	
not a rating driver	4	issues	2	
	5	issues	1	

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference
GHG Emissions & Air Quality	1	n.a.	n.a.
Energy Management	1	n.a.	n.a.
Water & Wastewater Management	1	n.a.	n.a.
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Company Profile; Management & Strategy; Risk Appetite; Asset Quality



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The left-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

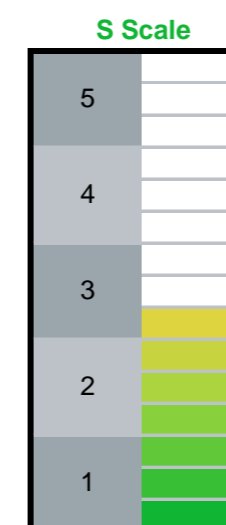
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the [number of] general ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector and sub-sector ratings criteria and the General Issues and the Sector-Specific Issues have been informed with SASB's Materiality Map.

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

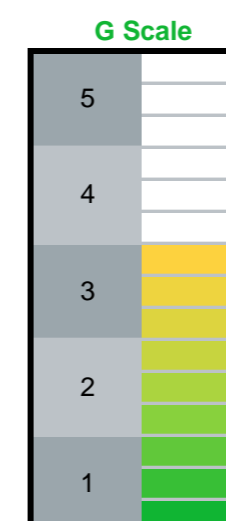
Social (S)

General Issues	S Score	Sector-Specific Issues	Reference
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Company Profile; Management & Strategy; Risk Appetite
Customer Welfare - Fair Messaging, Privacy & Data Security	3	Compliance risks including fair lending practices, mis-selling, repossession/foreclosure practices, consumer data protection (data security)	Operating Environment; Company Profile; Management & Strategy; Risk Appetite
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company Profile; Management & Strategy
Employee Wellbeing	1	n.a.	n.a.
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core banking practices	Company Profile; Financial Profile



Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference
Management Strategy	3	Operational implementation of strategy	Management & Strategy
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy; Earnings & Profitability; Capitalisation & Leverage
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Company Profile
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Management & Strategy



CREDIT-RELEVANT ESG SCALE	
How relevant are E, S and G issues to the overall credit rating?	
5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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