FitchRatings

Banks
Spain

Banco Cooperativo Espanol, S.A.

Key Rating Drivers

Important Role Within Group: Banco Cooperativo Espanol, S.A.'s (BCE) ratings reflect its low-margin, stable, low-risk business model focused on providing treasury and other services for credit cooperatives in the Asociacion Espanola de Cajas Rurales (AECR). The bank's strong asset quality and stable funding profile are rating strengths.

Part of Institutional Protection Scheme: BCE is a member of the Institutional Protection Scheme (IPS) of the AECR. Currently, this support mechanism is insufficient to substantially equalise the default risk of group members. As the mechanism matures, it may materially enhance the cohesion of its members and eventually result in a group rating being assigned.

Business Focused on Credit Cooperatives: The bank's market presence is weak, but its business model benefits from being the central treasurer of AECR members, which translates into recurring income from its members. Fitch Ratings views BCE's role as necessary for the adequate performance of the group, especially for smaller cooperatives, by helping them to improve their operating efficiency and access larger corporate customers.

Low Risk Appetite: BCE's balance sheet is mainly composed of securities and ECB deposits funded by interbank placements from AECR members. Risk controls and limits are adequate and well monitored, with limited operational losses to date. Market risk exposure is well managed and mostly relates to interest rate sensitivity.

Strong Asset Quality: Our asset-quality assessment mainly reflects the bank's portfolio of highly rated securities and interbank placements. The former has historically generated minimal losses and is dominated by Spanish sovereign bonds (25% of assets at end-2024). The bank's loan book (only about 10% of assets) comprised mostly exposures to strong corporates.

Adequate Profitability: Profitability has been broadly stable over the cycle, although it is highly dependent on net interest income (NII), which is directly reliant on business volumes from AECR members. Cost efficiency is satisfactory and supported by a low cost structure. We expect BCE's profitability to slightly weaken in 2025–2026 due to lower interest rates but to remain adequate, supported by fee income growth, resilient trading gains and negligible credit losses.

Solid Capitalisation: BCE's common equity Tier 1 ratio of 35.8% at end-2024 benefitted from low risk-weights given a high share of capital-light assets. Risk-weighted assets (RWAs) represented only 16% of assets. We expect capital ratios to remain strong on earnings generation, limited balance-sheet growth and its scrip dividend policy. Our assessment of BCE's capitalisation also considers the bank's overall risk profile and business model and a broader assessment of the credit fundamentals of AECR members.

Stable Funding and Liquidity: BCE is mainly funded by deposits placed by AECR members, and, to a lesser extent, by other customer deposits and repos. The bank's lack of funding diversification and untested access to capital markets compared with larger domestic peers is not a rating weakness given its low loans/deposits ratio and ample liquidity.

Ratings

Foreign Currency	
Long-Term IDR	BBB
Short-Term IDR	F2
Viability Rating	bbb
Government Support Rating	ns
Sovereign Risk (Spain)	
Long-Term Foreign-Currency IDR	A-
Long-Term Local-Currency IDR	A-
Country Ceiling	AAA
Outlooks	
Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Foreign-Currency IDR	Positive
Sovereign Long-Term Local-Currency IDR	Positive

Highest ESG Relevance Scores

Environmental	2
Social	3
Governance	3

Applicable Criteria

Bank Rating Criteria (March 2025)

Related Research

Fitch Revises Banco Cooperativo Espanol's Outlook to Positive; Affirms IDR at 'BBB' (September 2025)

Global Economic Outlook - September 2025

Business Conditions Support Spanish Banks' Improved Operating Environment (December 2024)

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Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

A downgrade is unlikely given the Positive Outlook on the Long-Term IDR. We would revise the Outlook to Stable if we no longer expected the credit fundamentals of AECR members to improve.

We could downgrade BCE's ratings if its role in AECR weakened or the group shrank materially, reducing business volumes and casting doubt on BCE's role in the Spanish cooperative sector. However, we view this as unlikely given the presence of a cross-support mechanism.

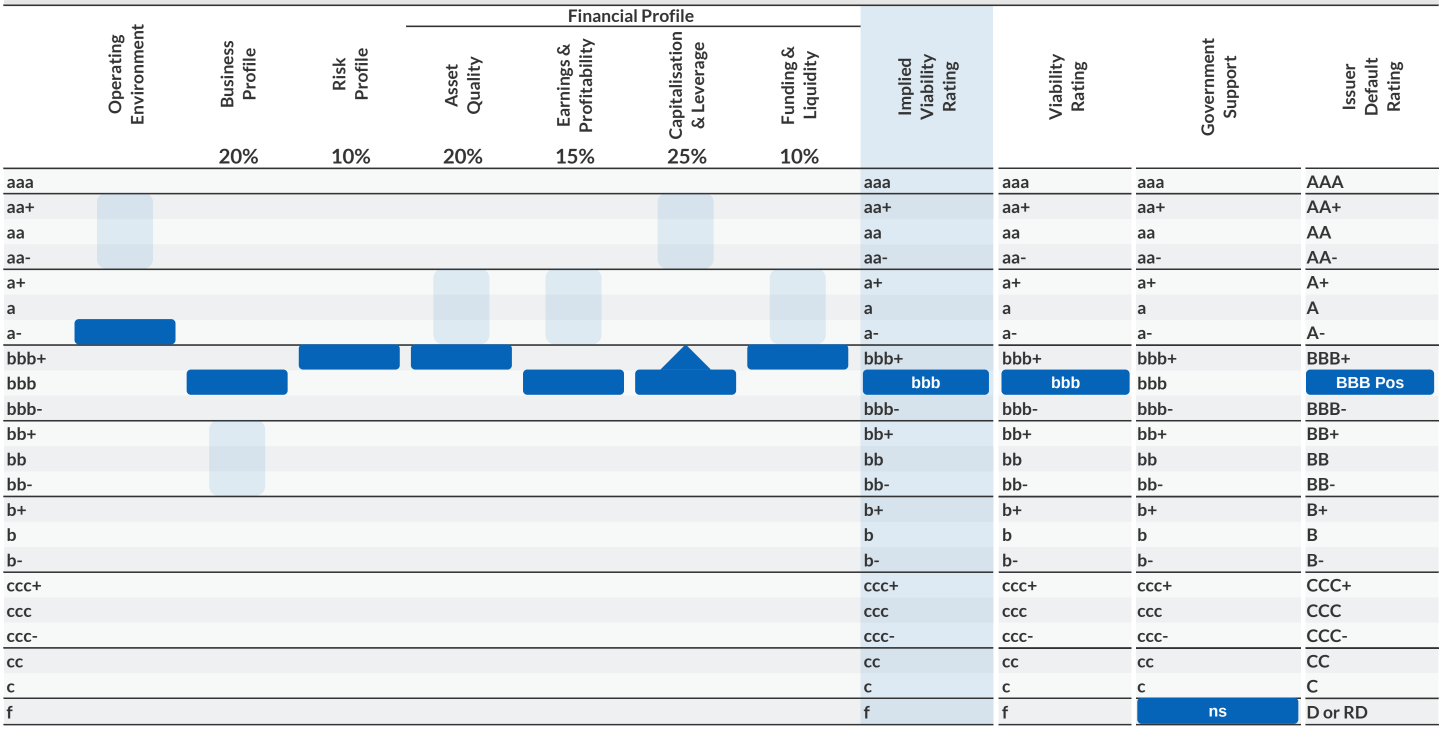
Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

Fitch is likely to upgrade BCE's ratings on further improvements in the credit fundamentals of AECR bank members and a continued strengthening of the bank's capital position. The upgrade would also require no material changes to BCE's risk profile and asset quality.

Ratings Navigator

Banco Cooperativo Espanol, S.A. ESG Relevance:

Banks
Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied VR are shown as percentages at the top. In cases where the implied VR is adjusted upwards or downwards to arrive at the VR, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD.

VR - Adjustments to Key Rating Drivers

The operating environment score of ‘a-’ is below the ‘aa’ category implied score due to the following adjustment reason: sovereign rating (negative).

The business profile score of ‘bbb’ is above the ‘bb’ category implied score due to the following adjustment reason: group benefits and risks (positive).

The asset quality score of ‘bbb+’ is below the ‘a’ category implied score due to the following adjustment reason: concentrations (negative).

The earnings and profitability score of ‘bbb’ is below the ‘a’ category implied score due to the following adjustment reason: revenue diversification (negative).

The capitalisation and leverage score of ‘bbb’ is below the ‘aa’ category implied score due to the following adjustment reason: risk profile and business model (negative).

The funding and liquidity score of ‘bbb+’ is below the ‘a’ category implied score due to the following adjustment reason: deposit structure (negative).

Company Summary and Key Qualitative Factors

Business Profile

Central Treasurer for AECR Members

BCE's main role is serving AECR member credit cooperatives by offering central treasurer services, channelling liquidity to and from the AECR banks, and helping members to achieve economies of scale and operating efficiency. Part of BCE's balance sheet relates to activities conducted on behalf of AECR members, and it is regulated by a treasury agreement under which AECR banks guarantee any failure arising from BCE's interbank placements undertaken on their behalf. BCE also acts as a representative body for AECR members, and offers ancillary services, including IT services, insurance products and training services. BCE offers a limited range of wholesale banking services to other institutions and corporations.

The AECR consisted of 30 members at end-2024, making up close to EUR100 billion total assets, with similar business models and common cooperative values. The credit cooperatives generally have sound retail franchises in their home regions, particularly in rural areas of Spain. BCE is owned by the credit cooperatives (88% stake) and by the DZ BANK AG Deutsche Zentral-Genossenschaftsbank (AA-/Stable; 12% stake), the central institution of the German cooperative banking group. AECR merged the holding company with BCE in 3Q25 to simplify the structure and optimise costs, and we do not expect any material impact on BCE's credit profile as a result.

BCE's business model means that operating income mainly arises from management of its liquidity, invested in fixed-income debt or a small loan book focused on Spanish corporates. This leads to NII being the main source of income (60% of operating income in 2024). This is complemented with fees and commissions (13%) from the ancillary services provided to AECR banks, and dividends from its main subsidiaries (10%).

Institutional Protection Scheme

The group established a more cohesive cross-support mechanism in March 2018, under an IPS (under Article 113(7) of the EU Capital Requirements Regulation). The IPS entails the creation of an ex-ante recovery fund to address liquidity and solvency problems within the group members. The fund strengthens both AECR's existing cross-support mechanism to support members undergoing financial distress and BCE's role within the group, even though, on its own, the fund is insufficient to provide support to the entire group. IPS members are supervised on an individual basis, but benefit from lower regulatory requirements, such as capital relief on intragroup lending, and lower contributions to the Deposit Guarantee Fund. However, the structure of the IPS is weaker than that of European peers due to the lack of capital and liquidity fungibility or consolidated supervision.

Strategy Focused on the Group

The bank's strategy still focuses on business growth and efficiency, while preserving its key role in the AECR group. BCE's main projects consist of providing good quality and efficient services to the group. Most are oriented towards compliance and risk management, digitalisation and ESG strategies, along with the development of banking businesses.

Risk Profile

BCE's activities are generally low risk, and the bank has well-developed risk-management systems to minimise its exposure to credit, market, liquidity and foreign-exchange risks. Non-bank lending accounts for a small part of the balance sheet and often relates to clients operating with various cooperatives. The size and equity of the AECR banks limit their ability to extend large loans; consequently, BCE arranges loan syndications or assists its members by providing this service. The bank is exposed to the risk of losses from operational errors, reflecting its reliance on effective IT systems for processing.

BCE's exposure to market risk is largely structural given that trading activities are small. Exposure to structural balance-sheet mismatches (interest rate and liquidity) is minimised by the short-term nature of assets and liabilities, which are closely matched in terms of interest rates and maturities. Derivatives are held for hedging structured products or interest rate swaps back-to-back with AECR members, or as a service for the AECR's customers.

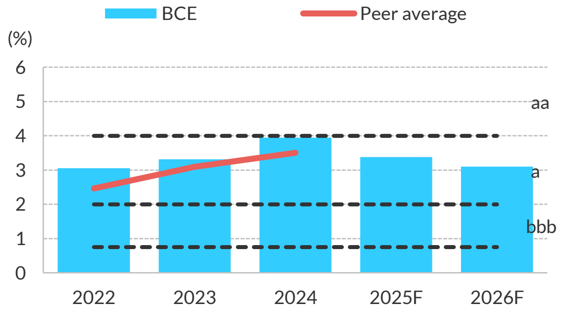
Financial Profile

Asset Quality

BCE's balance sheet mainly comprises its large securities portfolio (end-2024: 39% of total assets), cash (22%), interbank placements (15%, including reverse repos) and the small loan book (10%). Securities are mostly Spanish sovereign debt (66% of debt securities), which results in some concentration, and, to a lesser extent, debt from Italy and France, financial institutions and corporates. We expect the bank to maintain the securities portfolio at similar levels over the medium-term, with Spanish sovereign debt remaining the largest proportion. We estimate that the weighted average rating of BCE's total counterparty exposures was 'A' at end-2024 (excluding non-rated exposures, which mostly relate to collateralised derivative operations with daily mark-to-market).

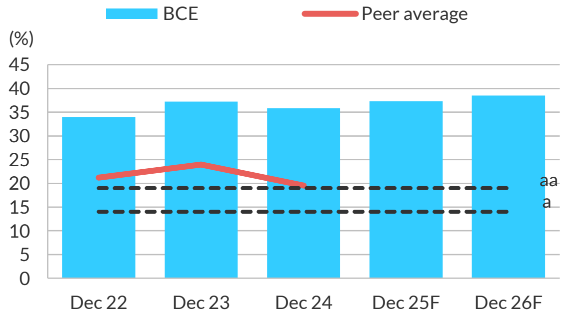
BCE's lending activity focuses on large and medium-sized Spanish corporates. AECR members are intended to take advantage of these operations by participating in syndicated loans or offering transactional banking services. Impaired loans accounted for only 0.5% of BCE's gross loans at end-2024 and were more than covered by loan loss reserves.

Operating Profit/Risk-Weighted Assets



Source: Fitch Ratings, Fitch Solutions, banks

CET1 Ratio



Source: Fitch Ratings, Fitch Solutions, banks

Earnings and Profitability

BCE's profitability benefits from its role as an intermediary for AECR members, and the bank charging a fixed margin on the funding and liquidity channelled. The bank's profitability is complemented by commercial banking activities (including asset management and payments), trading income, and fees from other services provided to AECR members.

BCE's operating profit/RWAs improved to 4% in 2024 (2023: 3.3%), driven by still significant growth in NII, while the remaining operating income grew moderately. Operating expenses continued increasing on growth initiatives, although the bank maintains a low cost/income ratio due to its light structure. BCE's return on equity is usually moderate, in part reflecting the bank's excess capital and that profitability optimisation is not a strategic priority.

Capitalisation and Leverage

BCE's robust capital ratios have satisfactory buffers above regulatory minimums. Capitalisation is supported by the bank's low RWA density as cash and securities represented 61% of total assets at end-2024. The bank's leverage ratio (end-2024: 8%) better reflects its capitalisation, which is also sound. The liquid nature of its own investments means BCE has some flexibility to deleverage its balance sheet quickly, if needed. BCE can leverage on capital raising from its members to support capital as all member banks are obliged to subscribe to BCE's capital increases according to the AECR's statutes.

Funding and Liquidity

In its role as the central treasurer for AECR member banks, BCE's main function is to provide members with access to funding from the ECB and wholesale markets, and to manage part of their excess liquidity. BCE's funding position is stable, based on deposits placed by AECR members, which account for 72% of total non-equity funding at end-2024. Other funding sources are customer deposits (24%) and repos (3%). Liquidity is comfortable given the bank's business model and is largely placed in highly liquid assets.

Additional Notes on Charts and Forecasts

The forecasts in this report reflect Fitch's forward view on the bank's core financial metrics per Fitch's Bank Rating Criteria. They are based on a combination of Fitch's macroeconomic forecasts, outlook at the sector level and company-specific considerations. As a result, Fitch's forecasts may materially differ from the guidance provided by the rated entity to the market.

To the extent Fitch is aware of material non-public information with respect to future events such as planned recapitalisations or merger and acquisition activity, Fitch will not reflect these non-public future events in its published forecasts. However, where relevant, such information is considered by Fitch as part of the rating process.

Black dashed lines represent boundaries for indicative quantitative ranges and implied scores for Fitch's core financial metrics for banks operating in the environments that Fitch scores in the 'a' category.

Peer average includes Cecabank, S.A. (VR: bbb), Gruppo Bancario Cooperativo Iccrea (bbb-), DZ BANK AG Deutsche Zentral-Genossenschaftsbank. Unless otherwise stated, financial year end is 31 December for all banks in this report.

Financials

Financial Statements

	31 Dec 21 12 months (EURm)	31 Dec 22 12 months (EURm)	31 Dec 23 12 months (EURm)	31 Dec 24 12 months (EURm)
Summary income statement				
Net interest and dividend income	59	62	67	95
Net fees and commissions	14	16	17	18
Other operating income	7	12	12	23
Total operating income	79	90	96	136
Operating costs	31	33	35	40
Pre-impairment operating profit	49	57	62	96
Loan and other impairment charges	-2	-1	-2	10
Operating profit	51	58	63	86
Other non-operating items (net)	0	0	0	0
Tax	12	14	16	21
Net income	38	44	47	65
Other comprehensive income	6	-29	19	4
Total comprehensive income	44	15	67	69
Summary balance sheet				
Assets				
Gross loans	1,843	995	1,352	1,375
– Of which impaired	2	2	4	6
Loan loss allowances	17	16	13	17
Net loans	1,825	979	1,340	1,359
Interbank	2,981	2,420	1,659	1,423
Derivatives	1,716	1,843	1,845	1,779
Other securities and earning assets	5,505	6,996	5,535	5,798
Total earning assets	12,027	12,237	10,379	10,359
Cash and due from banks	5,911	263	3,289	2,901
Other assets	56	98	36	77
Total assets	17,994	12,598	13,704	13,336
Liabilities				
Customer deposits	1,252	1,465	1,757	2,117
Interbank and other short-term funding	10,782	5,736	7,379	6,693
Other long-term funding	1,084	897	85	180
Trading liabilities and derivatives	2,626	2,474	2,469	2,366
Total funding and derivatives	15,744	10,573	11,689	11,355
Other liabilities	1,613	1,375	1,296	1,192
Total equity	637	650	718	790
Total liabilities and equity	17,994	12,598	13,704	13,336
Exchange rate	USD1 = EUR0.8842	USD1 = EUR0.9376	USD1 = EUR0.9127	USD1 = EUR0.9622

Source: Fitch Ratings, Fitch Solutions, Banco Cooperativo Espanol, S.A.

Key Ratios

(%)	31 Dec 21	31 Dec 22	31 Dec 23	31 Dec 24	31 Dec 25F	31 Dec 26F
Profitability						
Operating profit/risk-weighted assets	2.9	3.1	3.3	4.0	3.4	3.1
Net interest income/average earning assets	0.5	0.5	0.6	0.9	0.8	0.8
Non-interest expense/gross revenue	38.5	36.5	35.9	29.3	35.9	38.6
Net income/average equity	6.2	7.0	6.9	8.7	7.0	6.2
Asset quality						
Impaired loans/gross loans	0.1	0.2	0.3	0.5	-	-
Growth of gross loans	23.2	-46.0	36.0	1.7	-	-
Loan loss allowances/impaired loans	725.0	757.1	323.1	271.0	-	-
Loan impairment charges/average gross loans	-0.1	-0.1	-0.2	0.5	-	-
Capitalisation						
Common equity Tier 1 capital ratio	34.0	34.0	37.2	35.8	37.3	38.5
Basel leverage ratio	6.7	6.6	7.3	8.0	-	-
Net impaired loans/common equity Tier 1	-2.6	-2.1	-1.2	-1.4	-	-
Funding and liquidity						
Gross loans/customer deposits	147.2	67.9	77.0	65.0	-	-
Liquidity coverage ratio	297.9	197.4	256.8	253.9	-	-
Customer deposits/total non-equity funding	9.5	18.1	19.1	23.5	-	-
Net stable funding ratio	274.8	192.3	224.2	288.3	-	-

Source: Fitch Ratings, Fitch Solutions, Banco Cooperativo Espanol, S.A.

Support Assessment

Commercial Banks: Government Support	
Typical D-SIB GSR for sovereign's rating level (assuming high propensity)	bbb+ or bbb
Actual jurisdiction D-SIB GSR	ns
Government Support Rating	ns
Government ability to support D-SIBs	
Sovereign Rating	A-/ Positive
Size of banking system	Negative
Structure of banking system	Neutral
Sovereign financial flexibility (for rating level)	Neutral
Government propensity to support D-SIBs	
Resolution legislation	Negative
Support stance	Neutral
Government propensity to support bank	
Systemic importance	Negative
Liability structure	Neutral
Ownership	Neutral

The colours indicate the weighting of each KRD in the assessment.
Higher influence Moderate influence Lower influence

BCE's Government Support Rating of 'no support' (ns) reflects Fitch's belief that senior creditors cannot rely on receiving full extraordinary support from the sovereign if the bank becomes non-viable. The EU's Bank Recovery and Resolution Directive and the Single Resolution Mechanism for eurozone banks provide a framework for resolving banks that is likely to require senior creditors to participate in losses ahead of a bank receiving sovereign support.

Environmental, Social and Governance Considerations

FitchRatings **Banco Cooperativo Espanol, S.A.**

Banks
Ratings Navigator

Credit-Relevant ESG Derivation

Banco Cooperativo Espanol, S.A. has 5 ESG potential rating drivers

- Banco Cooperativo Espanol, S.A. 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.

			ESG Relevance to Credit Rating
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) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	1	n.a.	n.a.	5
Energy Management	1	n.a.	n.a.	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk appetite & management; catastrophe risk; credit concentrations	Business Profile (incl. Management & governance); Risk Profile; Asset Quality	1

How to Read This Page
ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.h 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 ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	2	Services for underbanked and underserved communities: SME and community development programs; financial literacy programs	Business Profile (incl. Management & governance); Risk Profile	5
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; Business Profile (incl. Management & governance); Risk Profile	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile (incl. Management & governance)	3
Employee Wellbeing	1	n.a.	n.a.	2
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	Business Profile (incl. Management & governance); Financial Profile	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Business Profile (incl. Management & governance)	5
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	Business Profile (incl. Management & governance); Earnings & Profitability; Capitalisation & Leverage	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile (incl. Management & governance)	3
Financial Transparency	3	Quality and frequency of financial reporting and auditing processes	Business Profile (incl. Management & governance)	2
				1

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.

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit https://www.fitchratings.com/topics/esg/products#esg-relevance-scores.

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For information on the solicitation status of the ratings included within this report, please refer to the solicitation status shown in the relevant entity's summary page of the Fitch Ratings website.

For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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