

RATING ACTION COMMENTARY

Fitch Upgrades Banco Cooperativo Espanol to 'BBB+'; Outlook Stable

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Fitch Ratings - Barcelona - 03 Jun 2026: Fitch Ratings has upgraded Banco Cooperativo Espanol, S.A.'s (BCE) Long-Term Issuer Default Rating (IDR) to 'BBB+' from 'BBB' and Viability Rating (VR) to 'bbb+' from 'bbb'. The Outlook is Stable. A full list of rating actions is below.

The upgrade mainly reflects the improved credit fundamentals of members of Asociacion Espanola de Cajas Rurales (AEER) - the Spanish rural credit cooperative association. It also reflects BCE's continuing strong capitalisation, which benefits from the bank's conservative risk profile and resilient earnings generation. The upgrade further considers BCE's improved asset quality, which is underpinned by the recent upgrade of the Spanish sovereign rating (A/Stable) and a supportive domestic operating environment.

KEY RATING DRIVERS

Important Role Within Group: BCE's ratings reflect its low-margin, stable, low-risk business model focused on providing treasury and other services for credit cooperatives in AEER. The bank's ratings also reflect strong asset quality, stable funding profile and healthy capitalisation.

Part of Institutional Protection Scheme: BCE is a member of the Institutional Protection Scheme of AEER. The support mechanism is currently insufficient to equalise the default risk of group members. However, 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 AEER's members, which translates into recurring income from its members. We view BCE's role as essential to

the group's ability to sustain its adequate performance, especially for smaller cooperatives, by helping them 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. 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, which relies on business volumes from AECR members. Cost efficiency is satisfactory and supported by a low-cost structure. We expect BCE's profitability to remain adequate, supported by business volumes from AECR members, growth in fee income and other operating income, and small provisions.

Solid Capitalisation: BCE consistently maintains high capitalisation levels, supported by earnings retention from its scrip dividend policy and a high share of capital-light assets. 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.

RATING SENSITIVITIES

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

Fitch could downgrade BCE's ratings if its role in AECR weakens or the group shrinks materially, reducing business volumes and undermining BCE's role in the Spanish cooperative sector. However, we view this as unlikely given the presence of a cross-support mechanism.

A downgrade could also result from a material deterioration in BCE's risk profile, asset quality or earnings and profitability.

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

An upgrade of BCE's VR is unlikely as it is constrained by its business model. An upgrade would require a materially strengthened and diversified business model, which could be driven by an enhanced role in the cooperative group and market presence, without structurally altering its conservative risk appetite.

The Long-Term IDR could be upgraded by one notch if the bank's volatility in risk-weighted assets materially reduces and Fitch believes that senior unsecured creditors would be protected by the bank's high levels of common equity Tier 1 capital in the event of a resolution.

OTHER DEBT AND ISSUER RATINGS: KEY RATING DRIVERS

The long-term deposit rating has been upgraded to 'A-' from 'BBB+', following the upgrade of the VR. The long-term deposit rating is one notch above bank's VR to reflect depositor protection from the bank's debt buffer requirements and applicable resolution strategy.

The Short-Term IDR and short-term deposit rating of 'F2' are the lower of the two options mapping to an 'BBB+' Long-Term IDR and 'A-' long-term deposit rating, respectively, as the bank's funding and liquidity score is not high enough to warrant higher short-term ratings.

BCE's Government Support Rating (GSR) of 'no support' 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.

OTHER DEBT AND ISSUER RATINGS: RATING SENSITIVITIES

The Short-Term IDR is sensitive to its Long-Term IDR and funding and liquidity score.

Deposit ratings are sensitive to the bank's VR. Deposit ratings will also be upgraded by one notch if depositor preference is implemented in Spain or if the bank's RWA volatility materially reduces and Fitch believes that depositors would be protected by the bank's high levels of CET1 capital in the event of a resolution.

An upgrade of the GSR would be contingent on a positive change in the sovereign's propensity to support Spanish banks. In Fitch's view, this is highly unlikely, although not

impossible.

VR ADJUSTMENTS

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 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).

Sources of Information

The principal sources of information used in the analysis are described in the Applicable Criteria.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

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>.

RATING ACTIONS

ENTITY / DEBT ⇅

RATING
TYPE ⇅

RATING ⇅

RATING
ACTION ⇅

PRIOR ⇅

Banco Cooperativo Espanol, S.A.	LT IDR	BBB+ Rating Outlook Stable	Upgrade	BBB Rating Outlook Positive
	ST IDR	F2	Affirmed	F2
	Viability	bbb+	Upgrade	bbb
	Government Support	ns	Affirmed	ns
long-term deposits	LT	A-	Upgrade	BBB+
short-term deposits	ST	F2	Affirmed	F2

[VIEW ADDITIONAL RATING DETAILS](#)

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Banco Cooperativo Espanol, S.A.

EU Issued, UK Endorsed

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